

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
August 1, 2016 – Meeting Summary

Committee Members Present: Regent Ryan Berryman, Regent Tom Clifford (telephonically), and Regent Marron Lee

Committee Members Absent: None

Non-Voting Members Present: Regent Robert Doughty

Other Attendees: Chaouki Abdallah, Provost/EVP Academic Affairs; Dana Allen, Alumni Relations; Dorothy Anderson, Human Resources; Terry Babbitt, Enrollment Management; Kyle Biederwolf, ASUNM; Christopher Carian, PDC; Joe Cecchi, School of Engineering; Bruce Cherrin, Purchasing; Sara Collins, UNM Student; Andrew Cullen, OPBA; Pamina Deutsch, Policy Office; Robert G. Frank, President; Geoff Grammer, ABQ Journal; Alex Goldsmith, KRQE; Rick Goshorn, UNM Gallup; Victor Griego, Internal Audit; Sara Gurule, Office of the EVP for Administration; Rodney Harder, UNM Foundation; David W. Harris, EVP for Administration, COO & CFO; Trish Henning, OVPR; Jennifer Kemp, UNM Foundation; John Kennedy, KPMG; Beverly Kloeppel, SHAC; Paul Krebs, Athletics; Harold Lavender, Alumni Association; Glenda Lewis, GPSA; James Lewis, Alumni Association; Suzette Longfellow, KPMG; Lisa Marbury, Institutional Support Services; Cenissa Martinez, Office of the EVP for Administration; Liz Metzger, Controller's Office; Tom Neale, Real Estate; Henry Nencik, UNM Foundation; Monica Orozco, Extended Learning; Manu Patel, Internal Audit; Pamela Pyle, Faculty Senate; Michael Reid, PDC; Marcos Roybal, University Services; Larry Ryan, UNM Foundation; Maggie Shepard, ABQ Journal; Gary Smith, PPD; Melanie Sparks, Institutional Support Services; Kevin Stevenson, Office of the President; Dr. Richard Tobin, Harwood Museum; Chris Vallejos, Institutional Support Services; Linda Warning, Harwood Museum; James Wilterding, KRQE; Marcia Winter, Harwood Museum; Amy Wohlert, Office of the President.

ACTION ITEMS:

1. **Call to Order, Confirmation of a Quorum and Adoption of Agenda.** Chairperson Marron Lee called the meeting to order at 8:35 a.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. **Regent Berryman 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 June 7, 2016.** Regent Berryman moved to approve and Regent Clifford seconded. **The motion passed by unanimous vote with a quorum of committee members present and voting.**
3. **Approval of Disposition of Surplus Property for Main Campus for June 2016.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for June 2016. There were 46 items on June's disposition, and two items had a combined net book value of \$18,114.03. The first item was government issued equipment so the item did not get depreciated until after they

received the title from the Federal Government to dispose of it. The second item was a piece of equipment that was disassembled to remove it from the Farris Engineering Building as remodeling was taking place and it was not worth putting it back together. They will auction off different pieces to get as much money for it. **Regent Berryman 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 SciQuest Software Renewal – UNM Purchasing Department.** Bruce Cherrin made the presentation. Regents' approval was requested for the SciQuest Software Renewal for the UNM Purchasing Department. This is a renewal of our software suite that is used in the Purchasing Department, Accounts Payable, Contract Management, and for chemical inventory. They have been using the software for a number of years and it is widely used by many universities and the State of New Mexico. **Regent Berryman 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 Approvals:**

1. **UNM Anderson School of Management.** Chris Vallejos made the presentation. Regents' approval was requested for the UNM Anderson School of Management (ASM) capital project. Currently, ASM occupies three buildings on the north central portion of Main Campus. The \$24.3M project replaces a portion of 45,851 square feet of primary residence. A demo will be done on the west building and will leave the east building intact for ASM faculty offices. The first floor will house general UNM surge space after the renovation. The funding sources for the project included \$721,500 from 2014 Severance Tax Bonds, \$5.579M from ASM Donor Funds, and \$18M from Institutional Bonds.

Regent Clifford inquired about the average cost as it seemed high for non-technical space.

Mr. Vallejos stated that a number of the spaces were interdisciplinary and the price per square foot is usually higher than that of classroom space. A portion of the project is for demolition which goes into the average cost and increased the cost per square foot.

Regent Berryman inquired about the concern regarding the conjoined buildings and only demolishing half of it. He inquired about the possible impact on parking and faculty offices.

Mr. Vallejos stated that it has become unusable space and they don't need the square footage to modernize ASM; they looked at the cost benefit analysis and felt the new portion of the building could absorb that. There will be some parking spaces lost but those will be shifted to the Yale Parking Structure. Faculty offices will be relocated and many may be placed in Hokona Hall which has both dorms and faculty offices. **Regent Berryman moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- ~~2. **Additional Gas Compressor at the UNM Ford Utilities Center.**~~ Item was removed from the agenda.

Chris Vallejos would like to defer the action item on the gas compressor as they received information on July 29, 2016 from the NM Gas Company that they can bring in a high pressure gas line. The gas compressor was going to provide reliable duplication to compress the gas for high use and would cost \$900K. Installing a high pressure gas line would cost \$572K. Due to the cost benefit they will defer the project. **Regent Lee asked the committee if there was any objection to deferring the action item. There was no objection. The item has been deferred.**

3. **UNM Gallup Campus Lions Hall Renovation.** Chris Vallejos made the presentation. Regents' approval was requested for the UNM Gallup Campus Lions Hall renovation capital project. The total estimated project budget is \$1.2M and will use FY16-17 Gallup Branch Campus reserves for the project. The project will renovate the old Lions Club Hall building including a number of structural deficiencies to accommodate the Gallup Middle College High School, which is currently in the gymnasium and two portable buildings. The renovation will repair the existing building structure including the foundation perimeter walls to keep it safe from further settling.

Rick Goshorn, Director of Business Operations at UNM Gallup Branch Campus, stated that the school exists on the Gallup Branch Campus for students of dual enrollment. A significant number of students graduate with their high school diploma as well as an associate degree. Lions Hall is an important facility to the Town of Gallup because it was the original building built by the Lions Club, sits atop a hill, and is a monument to the community. At the same time of doing the major renovation, they will do foundation funding for different programs and to outfit the inside of the buildings. Middle College is an important aspect of the school and is one of the highest ranked charter schools in the State. It is important to the Gallup community and the reserves they are using are a result of local mill levy operational funds that they receive from the community who is in support. They currently have \$6M in reserves. The Gallup Branch Campus State appropriation is \$9.7M. They have set aside funds to use in a way that would benefit the students and community. They felt this project was a good way to do that as well. **Regent Berryman moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

4. **UNM Valencia Campus Solar Power System Phase I.** Chris Vallejos made the presentation. Regents' approval was requested for the UNM Valencia Campus solar power system, phase I capital project. The project would continue their program in the photovoltaic arena across many of the UNM Campuses. They have a photovoltaic at UNM West, a number on Main Campus, and Valencia has local bond money that can match a donation from the Aryeh Family with Rio Grande Solar, LLC. The request is to approve a photovoltaic system on the UNM Valencia Branch Campus. This would be the fifth project that will complete using donated funds, but would be the University's eighth photovoltaic project. It is a match program and takes advantage of the renewable energy credit through PNM. It is a \$520K project of which \$260K is funded from a donation through the Aryeh Family with Rio Grande Solar, LLC, and \$260K is funded

from local General Obligation Bonds. It will save \$13K annually in energy costs annually. The PNM credit goes towards the Utility bill for the entire University. Valencia Branch Campus was chosen due to their ability to fund with GO Bonds. They were the highest and best use at the time with the matching funds, local funds, and donated funds. The project would be the end of the major donation from the Aryeh Family with Rio Grande Solar, LLC.

President Frank stated that the Aryeh Family has been very generous to the University, and they have been successful on Main Campus covering a very significant portion with photovoltaic systems.

Regent Clifford inquired if the net present value (NPV) benefits of \$343K were net of capital costs. Mr. Vallejos confirmed that was correct. **Regent Clifford moved to approve and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

6. **Discussion of Alumni Association's Courtyard and Fundraising Update.** Dana Allen, James Lewis, and Harold Lavender made the presentation. Information was provided to the Committee on the Alumni Association's Courtyard as well as an update on fundraising for the project.

Regent Lee wanted to make it clear that the Board of Regents supported the naming rights of the courtyard as a way to honor Dr. Karen Abraham. However, it is clear that there was a misunderstanding with the idea that the Regents had approved the naming rights. Over a period of three years, the Alumni Association would raise \$50K through, private funds, to pay for any improvements. It is their understanding that is not what occurred. That was not under either Ms. Allen or Mr. Lewis' oversight. The Regents appreciate the Alumni Association and understand it is a vital part of the University but want to know what happened.

Mr. Lewis stated that he read through numerous documents regarding the project. When he came on board a year ago, it seemed as though everyone was on board with the project, specifically as a great way to honor Dr. Abraham. From day one, the discussion was that the project would cost around \$329-350K, but that they were going to raise \$50K as a contribution towards the landscaping project. It was considered a maintenance project; they have a lot of activities in that courtyard. As it was explained to Mr. Lewis, there was a process of going to various committees and also to the Regents to get everything approved. He was under the impression that every methodology and process had been followed. On July 13, 2016, he learned the project had been halted. That was the first time he realized there were issues that needed to be addressed. Mr. Lewis assured the Committee that the Alumni Association was not trying to take an adversarial role with anyone at the University. The Alumni Association recently had a retreat and Mr. Lewis reiterated the bylaws, which are to work with every entity in the University. The Alumni Association has a responsibility to the University, Regents, and the F&F Committee. As he looked through documents, he was concerned that the Regents did not have a chance to review and approve. Mr. Lewis personally apologized to each and every one of the Regents that something fell through cracks. His concern is now that there is a project that has been halted and they need to consider what they can do in order to move forward. The members

on the Alumni Association Board wanted to do something for the University of New Mexico and the project was a way they could contribute and beautify the campus. The Alumni Association holds a lot of events in the courtyard and it was in disrepair, specifically the fountain. It was meant to be a tremendous contribution from the Alumni Association to the University. It was Mr. Lewis' perception that the Regents, the President, and the University were on board with the project, and he apologized if there were misstatements or misquotes. He cannot speak for those board members or past-presidents that were involved but they would be able to speak to the Regents, if necessary.

Regent Lee appreciates Mr. Lewis' comments and she does not believe that Alumni Association sought out to destroy the campus. It came from good intentions, but with blatant disregard for the MOU that is in place, Regents policies, and for the master plan of the University. The Courtyard is one thing; the Fountain is another as it is in front of the Art Annex. She also reviewed every piece of paper that had anything to do with the project and it was very clear that this was a complete overreach. It has turned into an "ask for forgiveness" rather than "seek permission" situation, not that anyone at the table was involved. She wants to figure out how this happened to ensure that it never happens again. If someone was writing a person check to cover the cost of the project, good intention or not, there would have been more scrutiny on it.

They are now looking at the total costs of the project, from a \$50K project. Regent Lee was the one who moved and seconded the naming rights and the approval of the \$50K for the courtyard, there was never any discussion of it costing more, or of it being a maintenance project. As it stands right now, there is not Regent representation on the Alumni Association Board, but it is contemplated under the MOU that they could have Regent representation. It is her understanding that the Alumni Association should operate autonomously as they are their own 501(c)(3), however the University provides a lot goods and services that does not make them autonomous. They will have to address the MOU in the future. It is her understanding they are looking at a deficit that the University will have to figure out, and the Alumni Association will have to write the check. The project is at almost \$402K. Regent Lee asked that an audit be done specifically of the project.

Manu Patel stated they have not started a review yet, but based on the MOU he could send a letter to the Executive Board and gather the financial information to understand what the financial impact will be. Looking at their last year's financial statements, they have approximately \$9.2M in unrestricted funds. The majority of those funds are tied up in an investment and they have approximately \$900K in cash/money market that they could use for the project. KPMG usually performs their annual financial statement audits to meet the requirement of the MOU and State auditors. They will focus on this contract.

Suzette Longfellow, Managing Director with KPMG, introduced herself to the Committee and stated she completes the annual audit of the Alumni Association. She has been briefed on the situation and their annual audit is scheduled to start in August. Given the concerns that are on the table, and the size of the dollars they are speaking of, they will clearly be taking a look at the process around the procurements, agreements, approvals to understand how things came to be and determine if there any deficiencies in the controls and processes.

Regent Lee inquired if they could do an audit on a specific situation not tied to the annual audit.

Ms. Longfellow will consult with the lead partner on the University audit, but they can do it separately if they so choose.

Regent Lee would like to do it separately, and requested the audit on the project begin immediately.

Regent Doughty stated that he was on the F&F Committee and also vividly recalled the presentation to the Regents that it was a \$50K project. He contacted former Regent James Koch and that was his understanding as well. Regent Doughty inquired where the additional funds for the project are coming from.

Mr. Lewis stated that the Alumni Association Executive Board stipulated that the Alumni Association would fund \$300K for the project and 50K would come from private donors. They have raised \$38K and would continue over a 3-5 year period. He clarified that he has never made those statements to any committees, but he read the minutes from the Alumni Association it stated that the project was going to be \$329K originally but went up to \$350K.

Regent Doughty inquired of his review of the prior Alumni Association minutes, if he ever found anything that it was in fact approved by the Alumni Board.

Mr. Lewis confirmed that he did find in the minutes that the project was approved by the Alumni Board, both the funding and the naming portion.

Mr. Lavender stated that he has been on the Executive Committee for a number of years and has been a part of decisions and things that have transpired. The Alumni Board was fully briefed and aware of the extent of the project. The breakdown came in the communication to the Regents. The project will be paid for out of Alumni funds and not from University funding. They were originally going to fund the entire project but decided to fundraise for those that wanted to contribute. He believes it is a terrific gift that will beautify an unattractive piece of property. The fact that it honors Dr. Karen Abraham is wonderful.

Regent Doughty stated the Regents approved the naming of the courtyard; the problem is that it was represented to them at the meeting that it was going to cost \$50K.

Mr. Lavender stated that the \$50K was what they were going to fundraise towards the project. There was never any question about what the project was going to cost; the approval was that they could spend up to \$350K, which was the number communicated to them by University representatives. At least 20 University employees participated at every level since day one. People were involved and knew about it.

Regent Lee stated all of the Alumni Relations Office staff members are UNM employees. Regarding Alumni funds, while some are private donations, a majority come from the sale of license plates and credit cards which authorized by the Regents and University to the

Alumni Association so that they could become self-sufficient; it has been a gift from the University.

Mr. Lavender has been under the impression that the money belongs to the Alumni Association. It may have been a gift, but not a recallable gift because they are a 501(c)(3).

Regent Lee stated the bottom line is those funding sources were given to the Alumni Association so they may operate completely independently with their purpose working specific to develop alumni relations. She complements that they work with the UNM Foundation to get alumni better engaged. A vibrant Alumni Association can only benefit this University. They have an issue that a courtyard turned into a whole open space. Even though it is a wonderful gift, there is a master plan in place and other capital projects in place. There are issues involved with removing mature plants and trees, things you cannot replace because someone did not believe they were attractive. There are bigger issues, and if we allow everyone who wants to give a gift to the University in the form of moving or changing land, that is a dangerous precedent to set.

Mr. Lavender stated that they had a discussion at their retreat and will work to figure out proper processes the Regents want the Alumni Association to use in situations as these.

Mr. Lewis stated that he has not received anything formally from the University regarding the issues with the projects, other than being asked to attend this meeting. When looking at procurement, how is it decided if it is maintenance project versus a capital project. The Alumni Association would like empirical data from the University to substantiate what the proper process is. The project went before the Historical Preservation and other committees. Someone from Landscaping conveyed to him that the project was a maintenance project. Going forward, these things need to be laid out because they want to be certain it never happens again. They have set up an Audit Committee for the Alumni Association to look at all internal infrastructure to ensure they are following policies and procedures. The Alumni Association wants to remain an engaged and active part of the University.

President Frank stated they are close to getting the project back on track. They need to identify a manageable budget that will come from the Alumni Association, and assign a project manager. They hope to have it completed by Homecoming.

Regent Berryman appreciates the transparency and apology because when it did come before this Committee, the naming rights were approved with the understanding it was a \$50K project. They are fortunate to have an Alumni Association to fund a campus beatification project. They need to figure out how to avoid this in the future.

President Frank inquired to Mr. Lewis if they could complete the project with the \$350K.

Mr. Lewis stated that they are looking into it there may be fees associated with the project that would put it over \$350K. They want to review the project before omitting anything as that may create more problems. They want to work with UNM and make it work.

EVP Harris has great concern regarding the contractor for the project and finds it puzzling that there is a project that is still not funded. They have not liquidated any securities to actually set up a project budget. They have not paid a contractor and do not have a contract from what he has been told. He would like to see a project established and funded, then they can go forward on a contractual basis. What John Kennedy, their auditor, reported to them on Friday was that he was going to look at this from the standpoint of best practices.

Mr. Lavender stated they have \$900K in a contingency fund.

EVP Harris stated they need to earmark it for the project.

President Frank stated that in terms of steps, they could create an account, work with EVP Harris and Chris Vallejos to develop a plan, bring the plan to the Regents on August 18, 2016, assuming they find it acceptable, and move forward.

Regent Clifford appreciates Mr. Lewis desire to improve processes and believes this is an example of poor coordination between the Association and the Regents. They will improve the MOU and relationships moving forward. **Regent Lee stated that they have to further discuss the item in Executive Session pending other issues and action, if necessary, would be taken after Executive Session.**

7. **Approval of Appointment of Alexandra Benjamin to Harwood Foundation Governing Board and Re-Appointment of Lucile Grieder.** Marcia Winter made the presentation. Regents' approval was requested for the appointment of Alexandra Benjamin and re-appointment of Lucile Grieder to the Harwood Foundation Governing Board. The Harwood Governing Board consists of nine members and three members are appointed by the University. The remaining six members are selected by the Harwood Board and brought to the Regents for approval. Alexandra Benjamin was a requested new member to fill a three year term and her bio was included in the eBook. Lucile Grieder was a member that they would like to renew for a second term as she has been a valuable board member.

Regent Lee encouraged everyone to visit the Harwood Museum to see their current exhibit which they did a great job curating; the show is a national traveling show. The Harwood Museum is a great asset protected for the University, and the Regents appreciate it. **Regent Berryman moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

8. **Discussion and Possible Approval of Budget Increase Request for Harwood Museum.** Marcia Winter, Dr. Richard Tobin, and Linda Warning made the presentation. Information was presented to the Committee on the possible approval of a budget increase for the Harwood Museum. Ms. Winter stated that Dr. Richard Tobin has been selected as the new Director of the Harwood Museum as of May 2016. He began his career as an Art Historian in Arts Administration, and was a Director and Interim President at the Institute in American Indian Arts in Santa Fe. He began volunteering with the Harwood Museum in 2010.

Ms. Winter stated that 10 years ago the Board of Regents created the Governing Board for the Harwood Museum and charged the Board with the mission of governance and

management of Harwood. In recent years they have tried to incorporate professional best practices in operating the museum. They have expanded the visibility of the Harwood Museum, and UNM, through their wonderful exhibitions. Since the Governing Board was created they have never operated in a deficit.

They have put their focus in the past six years on becoming accredited by the American Alliance of Museums (AAM). Accreditation with AAM is very prestigious; there is an estimated 35,000 museums in the country and only 4% of those museums have received accreditation. It is a lengthy process which consists of site visits from AAM staff to review every aspect of the museum's operations. The Harwood Museum has gone through every step and are in the final stages of receiving that accreditation. During the site visits, AAM had a wonderful report but pointed out a few deficiencies at the Harwood. The primary concern was the lack of security, as the Harwood has never had a security guard. The museum has 5,000 works of fine art including paintings, sculpture, and a large archival collection. The estimated worth of the collection is \$60M, which is an asset for the University of New Mexico as all of the facilities and art collection do belong to the UNM. The only university museum in New Mexico that is accredited is the Maxwell Museum on UNM Main Campus. In New Mexico, the Albuquerque Museum, New Mexico Museum, and Georgia O'Keeffe Museum are all accredited. In neighboring states, the University of Arizona Museum is accredited. Besides prestige, accreditation helps museums with fundraising efforts both locally and nationally. There are strict requirements to gain accreditation and follow specific guidelines in taking proper care of the collection, such as humidity levels and temperature.

The Harwood Museum is housed in a large historic building. In 2010, an 11,000 square foot addition was completed to add proper storage for valuable art. The Harwood received money from the State, \$900K from UNM, and had fundraising efforts for the project. They had no debt on the addition when it was completed. With the addition came increased maintenance, upkeep, and utilities at no additional funding increase. The Harwood Museum pays for its own utility expenses without assistance from the University; it is difficult to raise funds for utility expenses through fundraising. Harwood Board members have met with Jason Strauss from Lobo Energy and a team came to the museum to assess the site and utility use. They have 8 electric meters, some are listed as residential and some are commercial. Lobo Energy may assist with the local electrical cooperative in asking for a better deal on utilities. Their utility expenses were just under \$50K this past year.

Ms. Winter stated that their request is for the University to consider assuming responsibility for the Harwood Museum utility expenses. It is her understanding that the Harwood is the only UNM facility that has to cover and budget their I&G funds for utility expenses. Out of their I&G funds, only 60% is used for paying salaries and they raise money for additional salaries. They have an annual budget of \$1.1M and receive under \$400K from the University. The rest of their funding is raised through grants, operations, and private fundraising to care for a \$60M asset of the University. It is a struggle every year. If the critical needs of the Harwood were addressed they would be able to attain accreditation. The AAM were concerned that the utilities weren't covered by the University. She does not think the AAM will grant accreditation without the Harwood receiving more input and support from UNM. If the Harwood misses out on this opportunity for accreditation, the opportunity will not be available in the future.

The FY17 budget for Harwood is lean and they do expect to see increases in utilities. Their front line staff is making \$9 per hour and it is difficult to find quality staff at that rate. If some of the utility burden could be removed from the Harwood Museum they could use those funds to better serve the museum and gain accreditation. The Harwood Board are all volunteers from the community who work hard for the museum. The Alliance Membership Group is beginning to fundraise for the Harwood and they anticipate raising additional funds.

Regent Berryman inquired if UNM Taos would be best suited to cover their utility expenses due to the connection and educational opportunities available to students.

Dr. Tobin stated that accreditation will help with fundraising as they would have access to various federal funding and grant opportunities. The amount is unpredictable, but would be significantly larger than any State support or private funding. They need to get a final report to the accreditors by December 1, 2016, and they will make the final decision by February 1, 2017.

Ms. Winter stated that they received \$90K in capital outlay funds. Their front entrance portal is currently propped up with 2x4 planks. They also have a handicap accessible problem near the entrance. They will work with EVP Harris on the efforts.

Henry Nemcik from the UNM Foundation stated that accreditation will make a big impact on fundraising efforts. **Regent Berryman moved to have a plan to be ready by August 18, 2016 and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

9. Approval of UNM Foundation Requests:

1. **AON Hewitt's Proposed 2-Year Investment Consulting Contract.** Henry Nemcik and Rodney Harder made the presentation. Regents' approval was requested for AON Hewitt's proposed 2-year investment consulting contract. The request is for a 2-year extension of the investment consulting contract with AON Hewitt who has been the investment consultant the past five years. The Investment Committee has been very pleased with the level of their service and would like to recommend a two year extension. In addition to the extension, they would recommend approval to increase their annual fee from \$250K to \$255K.

Regent Clifford inquired how they have evaluated their services.

Mr. Harder stated that an evaluation is done by their volunteer Investment Committee which is comprised of 13 members including the University President, one Dean, three external members from the community with investment expertise, and the remaining members are all representatives from our Board of Trustees. At the conclusion of the evaluation, they looked at potentially going out to bid after the contract since it would be seven years. They may also look at their advisors again after that seven year period. The evaluation that was done initially was very comprehensive and took months and also involved Regent Lee.

Regent Clifford stated that it is important they formalize that understanding stated by Mr. Harder. If they proceed with a two year extension and they need to evaluate the contract, they should put that information in it about going to bid.

Mr. Harder stated that he does not feel it is appropriate to write the RFP into the contract with the current advisor, that would be something the Investment Committee would decide to do in approximately a year from now so that they are prepared to make a formal recommendation to either continue with AON Hewitt or go to an alternate Investment Advisor at that time. Regents will participate in the selection of the new advisors. **Regent Clifford moved to formally request that they get a report within a year on the recommendation. Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

Regent Lee agrees that they need a formal update on the recommendation in one year.

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

2. **Revision to Consolidated Investment Fund Investment Policy.** Henry Nemcik and Rodney Harder made the presentation. Regents' approval was requested for the revision to the Consolidated Investment Fund Investment Policy. They have been approving the annual distribution to the University in February of each calendar for the current fiscal year, which is the first time the University is aware of what the distribution will be for that current year. The UNM Foundation Board of Trustees is recommending changing that so they are approving the following year's distribution in February, therefore it becomes available to the University and the Regents during the annual budget process for the following year. The change is in response to the Regents efforts to move up their budget planning. They used this current year's distribution this past February, now this coming February will be the shift. **Regent Berryman moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

10. **UNM Freshman Residential Living Requirement.** Chris Vallejos, Terry Babbitt, and Melanie Sparks made the presentation. Regents' approval was requested for the UNM freshman residential living requirement. Enrollment Management and Institutional Support Services have done a lot of different analyses on capacity, student outcomes, safety, affordability, access, enrollment impact, and policy.

Mr. Vallejos commented on impacts to capacity to house additional freshmen and stated their fixed costs are at 78% occupancy, they do not anticipate additional expenses to house the additional freshmen for a residential live in requirement. They may need to hire additional Resident Advisors if occupancy moves closer to 96%; they are currently at 83-84% occupancy. The operational expense would be covered by the housing allowance the students would pay.

Mr. Babbitt commented on recruitment and retention, which was a major factor of their consideration. They conducted a survey of students to better understand enrollment impact. There were a certain number of students who indicated they would not attend UNM if it were a requirement; possibly 100 freshmen. Regarding retention rate, the third semester retention rate in 2014 for students living on campus was 10% higher than those off campus. They spoke extensively with the Faculty Senate leadership and provided them more data regarding ACT range, Pell Grants, performance, and such. They do not have a formal response from Faculty Senate. A decision would need to be made a year ahead of time; by the end of August if they want to make it a requirement for Fall 2017.

Pamela Pyle, Faculty Senate President, stated that the current Faculty Senate did not weigh in on the matter but the previous Faculty Senate President, Stefan Posse, may have.

Kyle Biederwolf, ASUNM President, stated that they have received a lot of information from Enrollment Management on polling past students. They have not had an opportunity to hold input forums to get the formal student opinion.

Regent Doughty and Regent Berryman do not feel comfortable moving forward with the item until they have an opportunity to gain an opinion from faculty and students. They are also concerned about capacity issues, financial issues, and any other issues that would prevent a student from living on campus.

Mr. Vallejos stated there is enough capacity in the dining hall for the number of students that would live on campus. Regarding financial and affordability issues, they are partnering with Housing to offer scholarships to those who have financial needs.

Mr. Babbitt stated that affordability and access are the top two concerns and they do not want to disenfranchise any population. They do have exceptions for those whose homes are within a 30 mile radius, have cultural reasons, or a challenging financial environment. Staff would meet with students to discuss their situations. Students taking classes wholly online would be exempted from the requirement.

President Frank stated they are working on the goal to make UNM a destination university. When students live on campus they engage better, which helps with retention. He strongly supports the request.

Mr. Babbitt stated that the safety issue is a top component and data shows students are safer on campus. According to the recent Clery Act report, there were only 30 incident reports on campus. Safety issues increase as they go outside campus.

Ms. Sparks stated that safety was the primary consideration when La Posada changed to 24/7 dining. They wanted to have a safe environment on campus for the students to be socializing, learning, and engaging. This is their second year going into 24/7 at La Posada.

Regent Lee inquired if the requirement would increase or decrease student debt.

Mr. Babbitt stated that the room and board are currently more than tuition. The cost of attendance for students living on campus and off campus is exactly the same. They would be eligible for the same amount of loans.

Ms. Sparks stated they have done some cost comparison for one and two bedroom apartments in Albuquerque. A residence hall space for an academic semester is \$4,890. A one bedroom apartment rent could be \$691 along with additional expenses for utilities, cable, internet, and laundry which are all free at UNM.

Regent Lee and Regent Berryman expressed concern that the campus may not be in order, or ready, to house more students.

Mr. Vallejos stated that there are a lot of services that need to be improved on campus to keep the community healthy and staying on campus. NMSU just approved a freshman living requirement for FY17. Other peer institutions such as Colorado State University, University of Colorado, and Texas Tech have freshman living requirements. **Regent Berryman moved to table the request and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

11. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended action items 2, 3, 4, 7 and 9 to be placed on the full Board of Regents' consent agenda. **Regent Berryman moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

INFORMATION ITEMS:

12. **Update on Main Campus and HSC Consolidation/Alignment Efforts.** Dorothy Anderson made the presentation. Information was provided to the Committee on the Main Campus and HSC consolidation/alignment efforts. The HSC Legal Counsel review was underway and the reporting structure had been moved under University Counsel Elsa Cole; they feel that piece is completed. Amy Wohler continues to lead the consolidation of the Compliance function which was underway. The University-wide IT review was done internally on Main Campus, and they expect to have a preliminary report from TIG by September; it is going well. They may want to explore additional review of the technical piece following the implementation by TIG.

They will continue to work with AON Hewitt on the review of senior positions in Communications/Marketing, Finance, and Strategic Support. They have had an initial kick-off meeting, and a meeting with AON Hewitt and all of the individuals that had been selected for the one-on-one meetings. They have asked each of the individuals to provide an organizational chart that would illustrate the reporting structure. They cross-referenced that information with the information in Banner, as well as who completed the performance evaluations for the individual, to validate the reporting structure. There were 22 individual one-on-one meetings held with a senior administrator and an AON consultant. The AON Consultant then summarized those results and sent out a role profile document. They were focused on the 22 highest compensated individuals over each of these units. Those individuals filled out what their primary responsibilities, which were cross-referenced with

an interview and role profile. The differences or gaps in consistency between the interviews, role profiles, and performance evaluations were identified and they followed up individually with each senior leader to gain clarification in what had been reported. A Span Analysis had also been completed and a final set of questions was asked for any incomplete information. The process was more detailed and thorough than initially expected so they requested another AON Consultant to join the efforts for a total of 3 consultants. They are on track and will develop options for the organization, coordination, and consolidation. The effort will result in a review and recommendations regarding organizational structures, titles, and salaries to ensure there is a consistent level of pay between Main Campus and HSC based on scope and responsibilities. They emphasized that the review was not based on a specific person but on business needs. They will bring recommendations to President Frank and the EVPs in September 2016, to be presented at F&F and full BOR meetings in October 2016.

13. **UNM Strategic Plan Update.** Kevin Stevenson made the presentation. Information was presented to the Committee on the UNM Strategic Plan. President Frank came to UNM four years ago and embarked on a comprehensive vision and strategic planning process, UNM 2020, and engaged over 1,000 people across the University community. The plan was designed around 2-3 year objectives to achieve ambitious goals. Many goals have been accomplished, and they have updated them to guide activities and our efforts moving forward. They are crafted around the original seven goals from the first phase of UNM 2020. Mr. Stevenson briefly reviewed the seven goals and provided quick highlights of some of the accomplishments.

Goal one was to become a destination university; an actual destination sought after by students both in state and out of state. Highlights included a 30% increase in international enrollment, \$180M in capital projects underway, and a 12% increase in incoming freshmen students with ACT scores of 26 or higher. Goal two was to prepare lobos for lifelong success. Highlights included record high graduation rates; 19.1% for 4-year degree completion and 49.1% for 6-year degree completion. Retention of freshmen going into their sophomore year was at 79%. There was a 10% increase in doctoral degrees since 2012. Goal three was to promote institutional citizenship and inclusive excellence. Highlights included the development of the LoboRESPECT initiative and promotion of a campus climate of inclusiveness and respect. Goal four was to enhance health and health equity. Highlights included \$164.5M in HSC extramural research funding, \$88M in funding for the Clinical Translational Science Center, and being 1 of 29 institutions with an NCI-Designated Comprehensive Cancer Center. Goal five was to advance discovery and innovation. Highlights included \$141.8M in Main Campus research awards for FY16, three new members of the National Academies, and 69 U.S. Patents issued in FY16. Goal six was to ensure financial integrity and strength. Highlights included \$12M in spending reductions and reallocations on Main Campus, \$90M in annual fundraising, and a 20% growth in endowment market value. Goal seven was to advance and accelerate economic development. Highlights included \$9M income from technology licenses and patent reimbursements, 39 start-up companies, and 2,200 students taking innovation courses with Innovation Academy.

- 14. Update on Proposed Online Delivery Fee Modification.** Andrew Cullen, Monica Orozco, and Terry Babbitt made the presentation. Information was provided to the Committee on the proposed online delivery fee modification.

Mr. Cullen stated that UNM currently charges a \$100 fee for any students who take an online course; approximately \$33 per credit hour. This is in addition to tuition and mandatory student fees. The online fee was implemented when the University began the online programs 15 years ago. The fee goes to Extended University and it funds the back bone for the Blackboard software program which benefits all students and faculty at UNM, in both online course and face-to-face courses. The online delivery fee modification stems from an equity issue as the online students who are being charged \$100 per course are primarily funding the overarching software that many students, including face-to-face, are benefitting from. The online fee modification had been discussed at many meetings last year but was put on hold due to the budget concerns. It is critical that the conversation begins again because they will begin planning for student fees in the fall as opposed to the spring. The Student Fee Review Board (SFRB) recommendation is due to the Budget Leadership Team (BLT) on November 15, 2016. They hope to come to a resolution in the FY17-18 budget development cycle.

Ms. Orozco echoed Mr. Cullen's statements and stated that originally when they brought forward the recommendation they gave several reasons behind the rationale for making a change. The main reason is the equity problem in that they are asking online students to pay the online fees and the campus fees, yet traditional students are only paying the campus fees but not helping to fund the online infrastructure they are using as well.

Regent Berryman stated that last year they decided to hold back and not further increase tuition and fees. He believes the fee is prohibiting students from enrolling in online courses. He does not have the desire for increasing student fees. Many peer institutions do not charge any fees for online courses. He would like to hear the Administration's thoughts on funding, if it is feasible, without a student fee increase as online infrastructure should be supported centrally.

President Frank stated that many peer institutions charge twice the tuition as UNM and have more central resources. Currently they do not have the central resources to cover the online fee; they can cover it if they raise tuition.

Ms. Orozco stated that was one of the recommendations from the student feedback. Students would rather see an increase in tuition than fees because their tuition is sometimes covered by scholarships.

Mr. Cullen stated the suggested proposal is to fund 68% of the infrastructure by an increase in mandatory student fees. The 68% equates to an annual fee increase of \$89.43 for an undergraduate student taking 12 hours per semester and an annual increase of \$107.51 for an undergraduate taking 15 hours per semester. The remainder of the infrastructure costs needed to support Extended University will be funded by an online credit hour fee of \$10 per credit hour, which is reduced from \$33 per credit hour online fee that is currently charged to students taking online courses. It will save money for those students who take

two or more online courses. It would be increasing student fees but will drastically reduce the current online fee that is implemented. The proposal is revenue neutral.

Ms. Orozco stated that the Extended University budget is larger than the funds generated by the online fee, which is currently producing \$3M annually. The amount to cover all infrastructure and support help desk costs total \$4M. There are other central resources put towards online delivery at UNM.

15. **Athletic Department Financial Overview – FY16 & FY17.** Andrew Cullen, Liz Metzger, and Paul Krebs made the presentation. Information was provided to the Committee on the Athletic Department financial overview for FY16 and FY17.

Mr. Cullen stated that 75% of the Athletic Department budget is from self-generating revenues through ticket sales, advertising, corporate sponsorships, and fundraising. Those revenue generators are tied to the overall economy and the success of the teams, which is difficult to gage each year. On the expense side, salaries, facility costs, and grant-in-aid are the budget categories that put pressure on balancing the budget. Tuition and fee increases are a source of increased revenues for the University, but it is an increased expense for Athletics due to their grant-in-aid. Inflationary increases in health care and utilities are an increased cost for Athletics. Yet, the University does not fund Athletics. Athletics is unable to generate those incremental dollars through ticket sales and other means each year on a consistent basis. A new cost category for Athletics is cost-of-attendance. The NCAA relaxed rules a year ago which allowed schools to pay the difference between grant-in-aid and the full cost to a university. This was driven by the Power 5 Conferences who gain a lot of TV revenues and who have acknowledged that many of these student athletes, primarily in Football and Men's and Women's Basketball, are generating a lot of dollars through their performance on the field. Cost-of-attendance provides additional stipends for athletes. If UNM would like to remain competitive recruiters, they would need to fund cost-of-attendance stipends for athletes. In 2016, the cost-of-attendance expense was \$190K, and in 2017 it is estimated at \$475K.

The Athletic Department budget has fallen into a deficit over the past several years. As a result, they took out loans from Financial Services and Institutional Support Services (ISS) to minimize and spread out some of the projected deficits. Two were from Financial Services, totaling \$950K, and have been paid in full from Minor Capital Interest Reserves. One is from ISS, totaling \$350K, and has also been paid in full from Minor Capital Interest Reserves. Since the debt has been paid, no payment will be required in 2017, which will free up \$202K for Athletics' FY17 budget. Another large expense for the Athletic Department was the debt service associated with The Pit; a small amount is associated with the End Zone Club at the Football Arena. Over the last several years, they've come up short on suite and club level revenue that were going to form the backbone on the debt service payment. The amount of the debt service is \$3M and some of it would be funded through concessions and merchandise sales, which came up \$1.25M short this year. Part of the plan to fund the debt service on The Pit was through corporate sponsorships but they have not met the mark to fully fund the debt service due to a lack of corporate sponsorships and naming rights with The Pit. That changed with the WisePies corporate sponsorship deal; \$100K for the first two years and then \$600K for years 3-10. Athletics has also received a pledge from with their name on various aspects of The Pit. In FY17 Athletics is

projected to receive \$800K in corporate sponsorships, which is a net increase of \$525K in revenues. They have also refunded the University's 2007 bond issue and the savings were around \$1.85M per year so they are passing along those savings, 1/3 of \$1.85M or \$622K, to the Athletic Department. The Pit renovation accounted for \$42M of \$125M bond issue, approximately 1/3 of construction proceeds. They have more revenue coming in through corporate sponsorship and will have less of a debt service commitment from \$3M to under \$2.4M. The sum total is \$1.147M which they feel has significantly closed the gap on the shortfall experienced in FY16. They are hopeful that the debt service associated with The Pit renovation in FY17 will be fully funded by Athletic Department revenues related to the suites and club level sales, merchandise, and concessions.

Regent Clifford inquired what the operational shortfall was.

Mr. Cullen stated that the year-end deficit effective June 30, 2016 was \$1.535M. They came into FY16 with a \$2.758M accumulated deficit, accumulated over the course of five or six years. For FY16 operations ticket revenues were \$975K short of budget, fundraising was \$200K short of budget, and other miscellaneous revenues were \$1M above budget to the good due to the success of the league and the UNM Football team making a bowl game. Some of those miscellaneous revenues were offset with a deficit. Team operating, event management and grant-in-aid were significantly over budget. That, coupled with utilities and administration drove a deficit balance of \$1.883M. When you offset the slight increase in revenues the year-end deficit balance total was \$1.535M. Along with the previous deficit balance of \$2.758M, Athletics is just shy of \$4.3M accumulated deficit over the course of the past five to six years. The accumulated deficit will reside on the books and, due to the overall fiscal health of the University, will be covered by reserves so Athletics will not have to obtain a loan from the banking community. It is a deficit balance within the Athletic Department exhibit.

Mr. Krebs stated that ticket sales for the three major sports, Football and Men's and Women's Basketball, are the most important driver of the Athletic Department budget. They fell short \$975K in FY16 and success on the field as well as marketing efforts to drive revenues is critical. They have brought down the budget for ticket sales by \$350K in the current fiscal year due to the shortfalls they had last fiscal year; \$400K short in Football, \$350K short in Men's Basketball, and \$150K short in Women's Basketball. With Football the capacity is there and they need larger crowds coming off of the bowl game and a winning record. For Basketball, they have typically operated a budget based on 96% capacity of the building and it has been scaled back this year. They expect to have a strong team but they need to sell more season tickets; they saw a decline in season ticket sales last year. Declining ticket sales also affect concessions and merchandise sales. However, the revenue from Men's basketball is substantially higher than many in the league. Currently all of the club seats and suite revenues go towards the debt service of The Pit.

Regent Lee inquired about the change that occurred with purchasing season tickets in the sense of a donation.

Mr. Krebs stated UNM may have been the only school in the country that allowed people to pay for tickets, pledge a donation, and not actually make a donation until the season was

over. They have asked people to go on a payment plan and will require some percent of the donation up front.

Regent Doughty inquired about State funded revenues and how they compare to institutional peers.

Mr. Cullen stated that NMSU receives \$532K more in their State appropriation than UNM, which was a change that occurred 12 years ago, possibly related to NMSU adding Equestrian.

Mr. Krebs stated that with their peer group, they get support in three ways outside of revenues they generate: state funding, institutional support, and student fees. The average dollar amount in the league from those sources is \$17.9M; UNM receives \$11.6M which is \$6M below the average. The only school that receives less money than UNM from those sources is Nevada. UNM self-generates 75% of its own Athletic budget, which is the highest in the league. UNM sponsors the largest number of teams, 22, in its league.

Regent Clifford inquired how they will address operational costs which were over budget last year and contributed to the operating deficit in FY17.

Mr. Krebs stated that grant-in-aid was significantly over budget due to cost-of-attendance and their belief that they needed to participate in that to remain competitive. They have budgeted cost-of-attendance in this year's financial aid budget. Sports operating budgets are simply a matter of athletics needing to manage those budgets better and not allowing them to exceed their budget; part of the issue is these sports have not seen an increase in several years. The other area of deficit lies in increased costs to travel.

Mr. Cullen stated that they are working with Financial Services to develop internal reports in the Banner system to help Athletics track their revenues and expenditures.

Regent Clifford inquired if they believe they have a balanced budget with prudent assumptions.

Mr. Cullen stated that is correct because of practical things that have happened, such as the elimination of the loans (saving \$203K), they no longer need to backstop debt service on The Pit (saving \$119K), and a Football game guarantee at Rutgers (\$900K increase in revenues). There is also a revised Mountain West Conference TV deal which will result in \$500K in additional revenues in FY18. A Bowl Game would be revenue neutral. They have signed contracts for guaranteed games that run through 2021; each one is for \$1M. It is important that they continue to drive revenue through ticket sales as that is the big variable for UNM Athletics.

Regent Berryman inquired how vital the cost-of-attendance number and the ability to compete with large schools.

Mr. Krebs stated that they feel if UNM does not participate in cost-of-attendance, the competitiveness of the programs would suffer greatly. Every school in their league is participating in some form or another in full cost-of-attendance. If the University believes it

is important to have strong and successful programs, particularly in Football and Men's and Women's Basketball, it is vital they participate.

COMMENTS: None.

EXECUTIVE SESSION:

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

Regent Berryman moved to proceed into Executive Session at 11:55 p.m. 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. Discussion and determination where appropriate of matters subject to attorney-client privilege pertaining to litigation, *pursuant to Section 10-15-1 H (7), NMSA (1978)*.
- D. Vote to re-open the meeting.

Regent Lee moved to re-open the meeting at 12:28 p.m. and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

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

Regent Lee moved to adjourn at 12:31 p.m., and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.