

**THE UNIVERSITY OF NEW MEXICO**  
**Board of Regents' Finance and Facilities Committee (F&F)**  
**February 4, 2016 – Meeting Summary**

**Committee Members Present:** Regent Ryan Berryman, Regent Robert Doughty, and Regent Marron Lee

**Committee Members Absent:** None

**Non-Voting Members Present:** None

**Other Attendees:** Chaouki Abdallah, Provost/EVP Academic Affairs; Dorothy Anderson, Human Resources; Terry Babbitt, Enrollment Management; Sally Barker, GPSA; Cinnamon Blair, Communications & Marketing; Todd Burley, Aon; Joe Cecchi, School of Engineering; Andrew Cullen, Planning, Budget & Analysis; Crystal Davis, Staff Council; Pamina Deutsch, Policy Office; Jerry Dominguez, Provost Office; Katie Fletcher, HSC Finance & Administration; Sara Gurule, Office of the EVP for Administration; Jenna Hagengruber, ASUNM; David W. Harris, EVP for Administration, COO & CFO; Ashley Hawney, Office of the EVP for Administration; Beverly Kloeppe, SHAC; Elizabeth Kuuttila, STC.UNM; Argy Maniatis, UCAM; Lisa Marbury, Institutional Support Services; Texanna Martin, GPSA; Cenissa Martinez, Office of the EVP for Administration; Randall McDonald, Innovate ABQ, Inc.; Liz Metzger, Controller's Office; Tom Neale, Real Estate; Monica Orozco Obando, Extended Learning; Linda S. Pardo, HSC Finance & Administration; Elaine Phelps, Human Resources; Stefan Posse, Faculty Senate; Tori Pryor, ASUNM; Chris Quintana, ABQ Journal; Mallory Reviere, Regents' Office; Marcos Roybal, University Services; Carol Stephens, Retiree Association; Kevin Stevenson, Office of the President; Jason Strauss, Lobo Energy Incorporated; Jasmine Torres, Staff Council; Chris Vallejos, Institutional Support Services; Eric Weinstein, Aon; Reilly White, ASM; Amy Wohlert, Office of the President; James Zanios, CCFNM.

Chairperson Marron Lee called the meeting to order at 9:00 a.m. in Scholes Hall, Roberts Room.

- **Quorum established**

**ACTION & INFORMATION ITEMS:**

- 1. Fiscal Watch Report and Monthly Consolidated Financial Report for Main Campus and HSC.** Liz Metzger made the presentations. Information was provided to the Committee on the Monthly Consolidated Financial Report as of December 31, 2015. Ms. Metzger stated that all the financial detail was included in the EBook.

The Fiscal Watch Report is the report that is submitted quarterly to the Higher Education Department (HED). The report is a set of mini interim financial statements for the University and differs in how it is categorized. All revenues and expenditures are grouped together and are not broken down into categories like the monthly report. It does not include any hospital numbers. It includes the University's capital and plant funds. They do not do any accruals or adjusting for the semester basis accounting. Everything on the Fiscal Watch Report is as it is on a general ledger system. It will reflect some tuition and fees that

have posted for spring semester from pre-registration. The budget is the original budget for the entire fiscal year.

Regent Doughty inquired about the -3% ending fund balance on page 3 of the Fiscal Watch Report.

Ms. Metzger stated that percentage is for the budget. For the current fiscal year, the ending fund balance is the \$235M in comparison to last fiscal year where the budget is \$242M so the decrease from the prior fiscal year to the current fiscal year is -3%. The reason for the decrease is a decrease in expenditures from prior fiscal year to current fiscal year and they are flat in revenues. The Gifts, Grants, and Contracts exhibit is down 7%, which includes federal sponsored awards, PELL grants, Lottery scholarships, and restricted awards. The Student, Social, and Cultural exhibit are the University's recreational services, child care center, student activities, ASUNM, and areas such as that. It is up about \$600K.

Regent Berryman inquired what the 1600% increase in other revenues was on page 4, and Ms. Metzger stated that it is in capital funds she will look into that number and provide more information at the upcoming full Board of Regents meeting.

The statement of net assets contains information for the Main Campus, HSC, and the Branch Campuses. It is an interim balance sheet as of December 31, 2015. The Fiscal Watch Report requires approval from the Regents and will be sent to HED by the end of February 2016. **Regent Doughty moved to approve the Fiscal Watch Report and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

Ms. Metzger presented the Monthly Consolidated Financial Report as of December 31, 2015, six months into the fiscal year. Ms. Metzger reviewed the first two pages which included graphs. The first graph presented data on a consolidated basis and included information on Main Campus, HSC, Branch Campuses, and Auxiliaries. It only includes operations and not capital funds. As of December 31, 2015 on a consolidated basis the report was \$9.7M to the good, bottom line balance. The second graph presented data on total I&G revenues and expenditures. I&G revenues were \$237M and I&G expenditures were \$234M, leaving a positive balance of \$3.2M. Ms. Metzger went through the remaining pages in the monthly report to go over the data and units which are reported on each page which feed into the graphs. The monthly report was included in the meeting EBook.

At the request of Regent Lee, Ms. Metzger presented HSC financial information on behalf of Ava Lovell who was unable to attend. The exhibits are the same and in looking at the I&G transfer line, the percent is tracking above the budget which is due to timing. Some areas have transfers going out or transfers coming in from another area and receive them all at once at the beginning of the fiscal year. If it is a large amount, it skews the benchmark during the course of the year versus distributing 1/12 of the transfer over the course of the year. The research area shows 118% over budget which may mean more gifts coming in. Their public service is trending fine and the bulk of Public Service for HSC is Project Echo. The HSC Medical School tuition and fees have historically been separate.

In response to Regent inquiry, Ms. Metzger stated that the HSC Marketing and Communications is reflected in the report but rolled up in a larger number on page 22 under the HSC I&G portion. There is a budget of \$752K for salaries for HSC Marketing and Communications staff. There are 8.5 FTE in that department, and actuals as of December 2015 were \$381K. Their other expense line item is what their budget is for publications, accreditation requirements, and such and is \$948K, and actuals as of December 2015 were \$700K. They also budget marketing and advertising within the HSC Public Service exhibit totaling \$2.4M for all clinical marketing and advertising for the University Hospital and School of Medicine Clinical Services. The actual as of December 2015 was \$1.4M that had been spent out of the \$2.4M.

In response to Regent inquiry, Ms. Metzger deferred to Andrew Cullen who stated that spring enrollment numbers are in and tracking to our 92-93% projected figure, which is built into the budget scenario. For example, from fall to spring, out of every 100 students, 92-93 will come back in the spring. Student credit hours were also tracking to those projections.

Provost Abdallah stated that last spring they had a further decline from the projection in the spring and were at 90% retention. This year the University is back to tracking 92-93%. Overall, enrollment is down 1% but students are taking more credit hours which is good.

Regent Berryman inquired what the date was to add or drop a course, and Ms. Metzger clarified that it was Friday, February 5.

### **ACTION ITEMS:**

- 2. Finance and Facilities Committee Meeting Summary from December 10, 2015. Regent Berryman moved to approve the minutes and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 3. Approval of Disposition of Surplus Property for Main Campus for December 2015 and January 2016.** Marcos Roybal made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for December 2015 and January 2016. There were three items on December's disposition, and only one item had a net book value of \$2,368. There were nine items on January's disposition, and two items had a combined net book value of \$336. The costs to repair the items on the two disposition lists exceeded the value of the items. **Regent Doughty moved to approve and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 4. Approval of Innovate ABQ, Inc. Board Member.** Randall McDonald made the presentation. Regents' approval was requested for the approval of Innovate ABQ, Inc. Board Member, Commissioner Lonnie C. Talbert. Under the arrangements with Bernalillo County, they have the right to designate one of Innovate ABQ's Board Members. They originally designated Commissioner Maggie Hart-Stebbins. At the beginning of the year, they selected a different commissioner, Mr. Lonnie C. Talbert, to be the designee on the Board. As required by the statute, the Board of Regents has to approve each member appointed to the Innovate ABQ Board of Directors. **Regent Doughty moved to approve**

**and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

5. **Approval of Restated and Amended Bylaws of Innovate ABQ, Inc.** Randall McDonald made the presentation. Regents' approval was requested for the restated and amended bylaws of Innovate ABQ, Inc. The original bylaws for Innovate ABQ were adopted and approved by the Regents. The Regents approved an amendment in the fall of last year that added the President and the Executive Vice President for Administration of the University as Ex-Officio members. During that time, they have been reviewing the bylaws to address other areas, which are mostly housekeeping issues.

A summary of changes was briefly discussed. Under Article III, Directors, Section 3.2 had two revisions. Section 3.2A was amended to provide that the number of members of the board will be set by resolution by the Board of Regents. Section 3.2B was amended that the current Board would remain in place for a three year term, with the terms staggered beginning after the annual meeting in August 2017.

Under Article III, Directors, Section 3.13 had one revision, which removed the provision that if a Board member missed three consecutive regular meetings without reasonable excuse approved by the majority of the Board that they would be automatically removed from the Board. This amendment was made as they felt that it was not unlikely for many members on the Board to miss three consecutive meetings given the nature of their jobs, such as Mayor, County Commissioner, UNM President, and so on. The Board can monitor its own attendance and make a determination whether a member should be asked to resign or dealt with in other ways.

Under Article III, Directors, Section 3.14 had one revision which added Section 3.14A to create an Executive Committee and an Audit Committee for the Board.

Under Article IV, Officers, proposed changes provided for the title of Chairman and Vice Chairman and further outlined the role of President and support staff. Language was also added to the indemnification provision to bolster that protection for the Board. **Regent Doughty moved to approve and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

6. **Approval of Conveyance of Land to Cochiti Pueblo.** Tom Neale made the presentation. Regents' approval was requested for the conveyance of land to the Cochiti Pueblo. The item was scheduled to come before the Committee in 2014 but was removed from the agenda due to time constraints related to budget discussions and it fell through the cracks. The request is being brought forth again for a conveyance of approximately 1.44 acres of a remnant tract that sits adjacent to the Dixon Apple Orchard.

Mr. Neale provided history on the land and stated that in 1966 the James Webb Young Ranch was donated to the University and consisted of 9,300 acres. A portion of that ranch was the Dixon Apple Orchard. In 2004, the Board of Regents transferred a large portion of the ranch to the NM State Land Office in exchange for land the University acquired at Mesa Del Sol, which reduced the size of the original holding. The University was left with 1.44 acres of land, which was situated adjacent to the orchard and consisted of a residence,

a guest house, and some other improvements. The Las Conchas fire in 2011 denuded the hillside and canyon, creating a floodplain in what was the orchard property. The fire and floods changed the drainage patterns in the canyon. The residence was destroyed in the fire and the subsequent floods destroyed the remaining improvements. The request for approval is to convey the remnant tract of land back to the Cochiti Pueblo.

EVP Harris stated that the NM State Land Commissioner, Aubrey Dunn, sold another large portion of the ranch to the Cochiti Pueblo in exchange for the Desert Inn Hotel in Santa Fe, NM. The small remnant held by UNM is now the only piece of the property that is not under the control of the Cochiti Pueblo, and they have an aboriginal interest in this property. The Regents authorized this conveyance two years ago, but due to a lengthy agenda it did not move forward. With the conveyance of land, the University will still retain educational opportunities for Anthropologists to access the site and conduct research. **Regent Doughty moved to approve and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

7. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended action items 2 and 3 to be placed on the full Board of Regents' consent agenda.

### **INFORMATION ITEMS:**

8. **Proposed Online Delivery Fee Modification.** Andrew Cullen, Terry Babbitt, and Monica Orozco Obando made the presentation. Information was presented to the Committee on the proposed online delivery fee modification. The online fee supports much of the operation within Extended University (EU). The issue surrounding this has been brought to the Budget Leadership Team (BLT) and to Finance & Facilities in the past. In BLT they reviewed the idea that the fee was serving as a disincentive for persons taking online courses. The fee in place is \$100 per online course, \$33 per credit hour, on top of normal tuition and fees. They felt the fee served its purpose early on, but now online education is a core basic delivery method for any university.

Ms. Orozco Obando stated they began the conversation as a complete elimination of the online fee of \$33 per credit hour and replacing that with a much lower per credit hour fee on all delivery modes. More of the University's instruction is using the online infrastructure. Based on feedback from students and concern on raising fees they are compromising to reflect the actual use by Main Campus traditional courses from the Mandatory Student Fee, which is 68%. This would leave a lower online delivery fee of \$10 per online credit hour. Administration is aware that student leadership is interested in seeing this converted into a tuition increase rather than a fee increase if possible. They would like to see it implemented in the Fall 2016.

Mr. Cullen stated as the University grapples with enrollment decline, this is one area that is seen as an opportunity to grow enrollment. There are a number of full degree programs online. Much of the online fee funds other things like the learning management system within EU. Approximately 68% of students in courses utilizing learn will have a mandatory student fee, the balance 32% would be funded with an online fee. That fee would drop from \$33 per credit hour to \$10 per credit hour.

Regent Berryman stated that it was originally brought forward as a student fee applied to 100% of the cost of this service and all students would pay for that. The 68% number is very fair and is the percent of Main Campus classes that utilize the online infrastructure, the Learn System. Regent Berryman stated that most of his classes at Anderson Business School utilize it but some departments do not. That is why the 68% number is fairer as not 100% of Courses at UNM are utilizing the Learn system. The question is whether or not this is a fee increase or a tuition increase.

Mr. Cullen stated that the \$100 per online course charge currently in place for EU generates \$3M. The full swaps of funding \$3M for EU through an increase in tuition would be \$150 per student or 2% increase in tuition. If tuition goes up, the cost of GA/TA Tuition Assistantship increases because we pay the tuition for those assistants.

Jenna Hagengruber, ASUNM President, commented some students have scholarships that only cover tuition so they would have to pay for this fee out of pocket. They believe it is important for this to be added to tuition rather than fees as it is now a basic need for higher education. Most students are utilizing online Learning System in at least one of their classes. If the Administration continues to raise fees to cover basic needs and infrastructure costs, then fees may raise to the point of equaling tuition.

Texanna Martin, GPSA President, commented from the graduate student standpoint that many graduate students are on assistantships, which only covers tuition. If they were to raise fees, it would be paid for out of pocket. Many other scholarships or companies offering tuition coverage do not pay fees. Ms. Martin echoed the importance for this added to tuition rather than fees as it is a basic need for higher education in 2016. If we put needs into fees, fees will soon outgrow tuition.

Regent Doughty would like to see the exact tuition increase figure and percentage before moving forward.

Provost Abdallah supports the students' position on this issue and commented that this is replacing one funding source with another and not adding anything to the budget. Currently a few students are paying a lot with this change it would change who pays the fee. For some it will be huge fee decrease. They are also hoping to grow the online community, which will increase revenues.

- 9. UNM Regents' Endowment Fund Portfolio, Quarterly Report.** Reilly White made the presentation. Information was presented to the Committee on the UNM Regents' Endowment Fund Portfolio quarterly report. Mr. White is an Assistant Professor of Finance at Anderson School of Management and is teaching the portfolio program with Mary Majadillas who teaches the Security Analysis course.

Last quarter, the Regents' Endowment Fund Portfolio had been tracking slightly behind the S&P by 0.1%. Both the class and the S&P 500 have been essentially nil, which is unfortunate. Since January, both the S&P 500 and the class are down 7%. Currently, the class is tracking the same as the S&P 500. Last semester they had a very active group of stocks and took a position in big data about a year and a half ago. That responded to their

tracking errors and why they are tracking below. The most positive performing tech sector stocks they've had are in information technology. They've been keeping the fund generally weighted the same as the S&P 500 across all sectors. Last quarter they purchased Wells Fargo Corporation and JP Morgan, and sold NASDAQ at a significant profit. This semester, students are approaching it from a sector based analysis. They've had the largest enrollment in the portfolio analysis program ever possessed and are dividing it into sectors. The class will be presenting in front of the IAC Committee on March 7 and on May 4.

- 10. Branding Initiative Update.** Cinnamon Blair made the presentation. An update was presented to the Committee on the branding initiative. The University brand rollout presentation was open to the public and was held on January 21; over 400 people attended. They received a lot of positive media responses, as well as positive responses on the feedback form. Following the brand rollout, two brand workshops were held for marketing and communication professionals from across campus to discuss using the brand and finalizing the style guide. UCAM has held several meetings with colleges, schools, programs, and enrollment management. Branding efforts will result in huge cost savings for the University as it will create collective resources that can be shared and used internally rather than hiring out other agencies, companies, and individuals to create design and templates. UCAM has invested in a digital asset management system which will give colleges and departments access to the digital assets for download and use.

UCAM is developing a comprehensive five year budget for the money they have within the department as well as for the \$500K allotment. They are looking into a photo shoot, a video shoot to create a television commercial, and a view book, all of which will have identified metrics. The digital media and online aspects are easier to track and optimize. The view book is a print piece and they will work on creating an engagement aspect to it. These will help with the perception issues the University has, and will aid in creating awareness and familiarity with specific offerings at UNM. Those metrics will be built into a five year plan as well. The Regents will be presented all of the metrics and can prioritize based on what they want to see, specifically for the budget. The Branding Committee will be reconvened to debrief and look at visual identity pieces to ensure consistency campus wide.

Regent Lee stated that she attended the brand rollout and the feedback was extremely positive.

Regent Berryman asked if they will develop high level metrics, such as gaining a certain amount of students or raising a certain amount of dollars through the UNM Foundation.

Ms. Blair stated that those metrics are already in place for Enrollment Management and the UNM Foundation and the branding efforts would be a support function of those existing metrics.

Regent Berryman asked if 160over90 was doing the implementation or if the University was responsible for it.

Ms. Blair stated that UNM will be doing the implementation. The build phase is in process and will take place over the next four years. 160over90 will do the design for the view

book, shoot the video, and produce the television commercial. The average public university spends about \$250K for a 30 second television spot.

Regent Doughty thanked Ms. Blair and the UCAM team for their work on the *Finish 4 Free* campaign and getting the word out on the UNM website. On average, they have about 25% visits to the site from out of state (specifically target areas such as Nevada, California, Arizona, and Colorado) and international.

## **11. Status Report on FY17 Budget Development.**

**A) Budget Calendar and Process.** Andrew Cullen made the presentation. Information was presented to the Committee on the budget calendar and process. The 2016 NM Legislative Session ends on February 18, which is a key date for the University as there is a possibility for a State Appropriation reduction. That has not been considered in any budget scenarios that have been presented thus far. What had been assumed in the budget scenarios was flat revenue from the State and no tuition increase. There will be a fee increase for facilities, and a change to the online delivery fee will be considered. Two of the biggest cost drivers to the budget are health care and utilities, which are two big numbers that need to be considered during any budget process. Mr. Cullen stated that the calendar included in the EBook is straight forward. With the end of January's close, the tuition projection will be firmed up and better numbers should be available on February 12. Once the Legislative Session ends on February 18 there is a 20 day period for the Governor Veto through March 9. At that point the University will know exactly what it will get from the State. There is a full Board of Regents meeting on March 14 and the annual Budget Summit will be held on March 22 at which a final budget proposal from President Frank will be presented as recommended by constituency groups on campus. The University budget will be sent to the Higher Education Department (HED) on May 1. The Administration will come back to the Regents on May 13 and the overall budget will be presented for final approval based on approval at the Budget Summit. Things will become clearer over the next two weeks.

**B) Projections for the UNM Health Insurance Plan.** Dorothy Anderson and Eric Weinstein made the presentation. Information and several slides were presented to the Committee on Projections for the UNM Health Insurance Plan. Ms. Anderson outlined what would be discussed in the presentation, which would include information on trends of the University's premiums as they compare to industry or national data, mitigating efforts towards cost savings, an updated FY17 premiums projection, benchmarking data, possible plan changes, and an update on the reserve.

Mr. Weinstein discussed trends and stated that since UNM went self-funded in FY10, the average UNM premium increase has been 2.6% annual trend increase. The same national trend increase over the same period of time has averaged 5.8%. The difference equates to a \$32.3M savings to UNM over that period of time, which shows that UNM has done a great job with cost mitigation strategies. The national trend rate does include others changing their plan design as well. It is important to note there are some years it is necessary to have increases and some years where there are minimal to no increases.

Cost mitigation changes were briefly discussed. In FY16, the University moved its stop-loss to Blue Cross Blue Shield (BCBS), which equated to a \$350K savings. A Dependent Eligibility Audit was conducted in FY16 and will result in a projected savings of \$550K. The University moved to an Rx Coalition as of September 1, 2015 and is projected to save \$1.9M. A Dependent Eligibility Audit will be ongoing as new hires come on, they will be audited when they want to add dependents or make changes during the year. A plan audit is also currently being performed of BCBS, which is something that is done regularly.

The FY17 projection was discussed and when it was brought before the Committee in November 2015, it was 11%. That projection was using 12 months of claims through September 2015 and included four months of claims, March-June 2015, that were unusually high. Human Resources and Aon wanted a few more months to understand if claims would continue at that rate. After reviewing data through December 2015 the projection was revised to 6.4%. Mr. Weinstein stated they made an adjustment for those four months and the claims since September have remained at a lower level so they feel comfortable making an adjustment. The annual trend rate used in the projection is 7%. After they adjusted for those four months of high claims, they added an annual percentage rate of 7% as well as the expected fixed costs which ultimately led to the 6.4% premium increase percentage.

In FY16 the total premium cost was \$67.5M, of which UNM's portion was \$42.5M. The active employees and dependents of post-65 retirees both increased at 6.4%. The pre-65 retirees are scheduled to pick up an additional 5% contribution share so their premium will increase an average of 17.6%. With the projected premium increase of 6.4%, the dollar increase is approximately \$4.35M and UNM's portion of that would be \$2.5M. The FY17 projected increase of \$4.35M is broken down to \$850K for I&G Main Campus, \$424k for non-I&G Main Campus, \$318K for I&G HSC, and \$1.06M for non-I&G HSC.

Andrew Cullen noted that the budget scenarios up until this point have portrayed an increase of \$1.85M to I&G Main Campus health insurance so \$1M can be taken off of that amount in the budget scenarios.

Mr. Weinstein stated that Aon completed a Benefit Index Study using 17 hand-picked comparators, all public universities; 11 are UNM peer institutions and 15 of those 17 have health science centers. The benchmarking data was reviewed and indicated that the UNM single rate is much higher than the benchmark. On family coverage it is slightly different, the lower tier is competitive, the middle tier is okay in relation to the benchmark, and the upper tier is significantly higher than the benchmark. Almost 60% of employees are in the middle tier range. Approximately 53% of the University's health benefits enrollment is in the single, employee only, category. In general, the overall employee contributions at UNM are higher than the benchmark. That information must also be contrasted with the plan design that is being offered. The plan design is in line with the average of the benefit index study. The individual deductible is slightly higher than the benchmark. The out of pocket maximum is slightly lower than the benchmark. Overall, the plan design is average with the benchmarks and is coupled with employee costs slightly higher than the benchmark.

Aon has been working with Human Resources on medical and Rx plan design changes for future consideration. Those changes included increasing the In-Network Out of Pocket Maximus to \$3K/\$6K, which would bring the University more in line with benchmarks and save UNM 1.2% or \$562K. Another change could occur with Diabetic Rx, such as insulin and medical supplies offered to those with Diabetes, and make them subject to plan copays, which would save UNM 0.2% or 478K. Another consideration would be to change the 90 day supply of medication to 2.5 times the 30 day supply, which would save UNM 0.1% or \$43K. And the final adjustment for consideration would be to change the brand copays to a 25% coinsurance with a minimum copay that matches the current, which would save UNM 0.3% or \$143K.

A slide with data on the University's self-funded health insurance was presented and showed some history from FY10-FY17 (estimated). Mr. Weinstein noted the change in enrollment as the enrollment in the plan has increased 11% since FY10. Another slide with data on the University's health insurance reserve and excess stop-loss insurance was presented. Reserve components include fund claims incurred but not reported (IBNR). It also provides protection against catastrophic claims and claim fluctuations. The University's health insurance reserve is in a healthy state with an estimated fiscal year balance of \$17M. Excess stop-loss insurance provides the University with individual catastrophic insurance coverage above the established insurance deductible; the University has a \$1M stop-loss deductible.

- C) Projections for Utility Costs.** Chris Vallejos and Jason Strauss made the presentation. Information was presented to the Committee on projections for utility costs. The University has a team for utilities management that includes Mr. Strauss, Lobo Energy Incorporated, Larry Schuster, Director of Utility Plant, and Gary Smith, Interim Director of Physical Plant Department.

Mr. Vallejos stated that utilities have a huge impact on the University budget. There are two components to utilities which include procuring our services from utility and buying on the open market and pass on to the consumer. The internal University consumers are the Instruction & General (I&G), Health Sciences Center (HSC), and Auxiliary units.

Mr. Strauss presented several slides, which were included in the EBook, and gave a high level overview of the University as a producer and consumer on campus. The two relationships critical are the vendor supplies outside of UNM, including PNM and NM Gas. The University is purchasing from an open market which has volatility as it cannot be controlled by UNM. From that, the University produces chilled water, steam, electricity, and domestic H2O for the Main Campus while having internal expenses such as labor. They have a key strategy to try to purchase as little energy as possible from outside vendors and produce the maximum amount on campus. UNM started its first co-generation unit project 20 years ago. For every unit of energy that is coming in, the University is producing two units of energy out. The plant side has a goal of a net zero budget. They try to stay on top of expenses as they come out but given the volatilities in the market it is difficult. They need to purchase as little as they can to

balance the budget and have a minimum level of risk. The goal is to stabilize the budget as much as possible in that procurement process.

The status of the utilities division budget was reviewed. Budgeted revenues for FY15-16 totaled \$23.868M and budgeted expenses totaled \$23.952M, net balance of negative \$84K. Looking at the actuals, they had a carryover from the previous year of \$405K. They have performed a little ahead of what they thought they were going to through December. They are down to \$296K at present. Coming out of the current fiscal year puts them at an overall negative \$1,007 deficit instead of a negative \$480K. Essentially they are at a budget neutral for FY17.

Looking at the consumer side, for the Main Campus I&G sections of utilities the state appropriated fund given to the University for utility expenses is less than what the bills have been for a long period of time. There has typically always been a deficit, at high it has been \$3M but most years could be at \$1M. The University has had reduced consumption over the past 20 years' worth of energy conservation efforts. In the Physical Plant Department they are working towards changing the way these buildings are operating. That complete collaborative effort has reduced what those costs really are. The deficits could have been worse over the years if energy conservation had not been in place. In the past, fees were raised to cover utilities but they are working on reducing energy consumption to avoid that.

Mr. Vallejos stated that the cost of avoidance is a key metric in energy conservation because they have added square feet to the campus over the last 10 years and rates have gone up, but they have avoided rising costs. Lobo Energy aids in utility management and has done energy conservation in conjunction with the Physical Plant Department. Utilities Management is performing with a 21% cost avoidance, due to the energy conservation program. Additionally, the New Mexico Industrial Energy Consumers (NMIEC) component helps Lobo Energy manage what is happening with PNM and areas of concern with the Public Regulations Commission (PRC) and how various issues will affect the University. For a budget plan, they would like to get to a neutral point each year rather than consistently running a deficit. In FY15, they used \$1.3M for a sustainability surcharge to cover the deficit. That surcharge resulted in not being able to invest in building efficiencies.

For FY16, there was a request for an additional \$332K base budget allocation. There was a 1.5% holdback during FY16 which took back \$256K from the \$332K, which left \$76K in the base budget for FY17. For FY17, they are projecting \$364K deficit and it will be offset with further sustainability surcharge funds. There is a plan to get the fund balanced and back up in order to be able to move fund back to the sustainability surcharge and get the overall budget where it should be.

Regent Doughty inquired what the overall deficit projected for FY17.

Mr. Strauss stated that the projected deficit for FY17 is \$940K on the pool fund that we charge. They will make it up by the injection of \$364K into the base budget and another \$576K from surcharge funding. Going into the future they will request a \$564K base budget allocation increase. The goal is to get it the budget balanced and to net zero.

Regent Berryman inquired if the power plant in San Juan will affect the University's utility prices. Mr. Strauss stated in that case it is not finalized. NMIEC deals with all the rate cases on behalf of the University through Lobo Energy.

**12. Status/Calendar 2016 UNM System Revenue Bonds/University Rating Update.** Andrew Cullen made the presentation. An update was presented to the Committee on the status and calendar for the 2016 UNM System Revenue Bonds/University Rating.

The University will be in the market Wednesday, February 10, 2016 to price the UNM 2016 Series Bonds. It includes new money for the three projects: Johnson Center, Anderson School of Management, and Smith Plaza. It is approximately \$55M in construction proceeds and includes approximately \$110M in refunding of the 2007 Bond issue. It is a large bond issue of \$165M and will get the attention of institutional buyers on both posts. They are hoping for good pricing because the bond markets have rallied, which means there are more buyers as many are getting out of the stock market. Many of the projections given to the Committee on the increase in debt service, the savings on the 2007 refunding, and the overall monies necessary to fund the new deal will likely be less than has been portrayed due to what is happening in the market.

Regent Doughty stated that both Standard & Poor's (S&P) and Moody's affirmed the University's rating which is really important. UNM received an AA with S&P and AA2 with Moody's. If the University did not have that rating, many companies would be restricted from purchasing, so a good rating is critical. It is essentially the credit score of the University and a way to appeal to the market. If the University's bond rating would ever drop it would be financially devastating to the University, and would result in higher interest rate payments and equate to a higher debt service amount. In the case that the bonds are backed with student fees, it would mean a high fee increase to fund a large amount. UNM received a stable outlook which suggests they feel UNM is on firm footing on all aspects across the board.

EVP Harris stated there are two indicators that are very important to a public entity like UNM, the external audit and the bond rating, as they are the external view of the University and something the University has no control over.

A great team was behind the efforts and rating agency meetings who included Amy Wohlert, Henry Nemcik, Liz Metzger, Ava Lovell, Ella Watt, Provost Chaouki Abdallah, and Andrew Cullen. The team put forth a very strong presentation. That information goes into a Preliminary Official Statement (POS), which contains anything and everything about the University, from executive management structure to enrollment trends. The POS becomes the Official Statement (OS) which is placed on various websites for the federal government and all bond holders and bond purchasers receive a copy of it.

All of the information in the OS is critical and taken very seriously so it is as accurate as possible. The OS is emailed to the Regents for them to review and sign, confirming that all the information is true, correct, and contained no omissions of any substantial amount. Bond purchasers use the document to give a responsible bid on the University's bonds.

Mr. Cullen stated they will price the bonds on February 10 and will present the pricing at the full Board of Regents on February 11 to approve the pricing that will be secured.

**COMMENTS:**

None.

**EXECUTIVE SESSION:**

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

**Regent Doughty moved to proceed into Executive Session at 11:27 a.m. and Regent Lee 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 involving only one source or contents of competitive sealed proposals under the procurement code, *pursuant to Section 10-15-1 H (6), NMSA (1978)*.
- D. Vote to re-open the meeting.

**Regent Lee moved to re-open the meeting at 12:25 p.m. and Regent Doughty 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 12:27 p.m., and Regent Berryman seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**