

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
January 22, 2015 – Special Meeting: New Member Orientation
Meeting Summary

Committee Members Present: Regent Jamie Koch, Regent Robert Doughty, and Regent Matthew Chandler (telephonically)

Committee Members Absent: None

Non-voting Members Present: Regent Jack Fortner and Regent Heidi Overton

Other Attendees: Chaouki Abdallah, Provost; Dianne Anderson, University Communication & Marketing; Dorothy Anderson, Human Resources; Terry Babbitt, Enrollment Management; Hans Barsun, FSBC; Connie Beimer, Government Relations; Joe Cecchi, School of Engineering; Amy Coburn, PDC; Andrew Cullen, Planning, Budget & Analysis; Renee Delgado-Riley, Staff Council; Pamina Deutsch, Policy Office; Mike Duran, Human Resources; Leslie Easom, UNM Retiree; Robert Fondino, HSC; Robert G. Frank, UNM President; Bob Goodman, Sandia Foundation; Helen Gonzales, Compliance Office; Sara Gurule, Office of the EVP for Administration; David W. Harris, EVP for Administration, COO & CFO; Rick Henrard, Capital Projects; Suzette Longfellow, KPMG; Ava Lovell, HSC; Lisa Marbury, Institutional Support Services; Cenisia Martinez, Office of the EVP for Administration; Liz Metzger, Controller's Office; Bill Miller, Retiree Association; Matt Munoz, Government Relations; Tom Neale, Real Estate; Manu Patel, Internal Audit; Elaine Phelps, Human Resources; Mallory Reviere, Regents' Office; Michael Richards, UNM Health System; Eileen Sanchez, Compliance Office; Marie St. Claire, SHAC; Carol Stephens, UNM Retiree; Kevin Stevenson, Office of the President; Chris Vallejos, Institutional Support Services; Eric Weinstein, AON; Fran Wilkinson, UL&LS; Nicholas William, KPMG; DeVon Wiens, Moss Adams; Amy Wohlert, Office of the President; Joe Wrobel, HSC.

INFORMATION ITEMS:

1. **Call to Order and Confirmation of a Quorum.** Chairman Regent Koch called the meeting to order at 10:15 a.m., in the Roberts Room of Scholes Hall and confirmed that a quorum was established. Chairman Regent Koch stated this meeting is open to the public and is an informational meeting only, no action will be taken.
2. **Comments from President Frank.** President Frank was unavailable to make comments to the Finance and Facilities Committee at that time.
3. **Monthly Financial Reports, Main and Branch Campuses and Health Sciences Center (HSC).** The Monthly Financial Reports were presented to the Committee by Liz Metzger, University Controller, and Ava Lovell, Senior Executive Officer for Finance and Administration, HSC.

Ms. Metzger provided an overview of the monthly financial report that is presented at each Finance and Facilities (F&F) committee meeting. The purpose of the report is to provide the accurate fiscal year to date data on the University's results of consolidated operations of

the Main Campus, Health Sciences Center (HSC), Branch Campuses, and Auxiliaries. The fiscal year begins July 1 and ends June 30. Only current funds are reported, which means the Endowment Fund activity and Plant Fund activity is not included in this report. The report is created by the Main Campus Financial Services Division, and they consolidate the information with HSC data, and it is reviewed for any anomalies that might be present. The report includes backup detail, which includes the exhibits and the budget information (budget dollars) for the fiscal year that was approved by the Regents.

Ms. Lovell presents a similar report semi-annually to the Finance and Facilities committee. The detailed financial report contains information regarding the Health Sciences Center (HSC) metrics. These metrics include cash flow from operations, operating net margin and depreciation, net income, Uncompensated Care, and days cash on hand. These metrics are presented for the HSC Academic enterprise, the UNM Medical Group, the UNM Hospital, and the Sandoval Regional Medical Center (SRMC). Also presented in the report is the health of the research organization such as proposals, awards, and earned F&A.

- 4. Overview of FY 15 Annual Audit.** Liz Metzger made the presentation. An overview of the FY15 Annual Audit for the University of New Mexico was presented to the Committee. Suzette Longfellow, Managing Director with KPMG, Nick Williams, KPMG, John Kennedy, KPMG, and DeVon Wiens, Moss Adams, also joined Ms. Metzger for the presentation.

In regards to audit firm selection, Regent Fortner asked for clarification regarding the RFP process going out for bid

Ms. Longfellow stated that every 3 years, the University is required to go out for bid for the auditing firm. For a number of years, KPMG and Moss Adams have worked together to allocate pieces of the University's audit. The goal is to ensure the University and all of its entities are compliant with independence rules, requirements of the State Auditor, and State Audit rule. The audit reports for all of the entities are sent to the State Auditor's office for their review and approval. After they received and approved they are released as public record.

Ms. Metzger reiterated that only one audit firm can only audit an entity a period of six years and has to get off for 2 years. The FY14 audit will be discussed, which began July 1, 2013 ending June 30, 2014. The audit is so large that it is difficult for one audit firm to have the staff to do the entire audit. For the past few years, audit firms have partnered up to complete the audit. Typically one firm does the Clinical side and one firm does the Main Campus side.

Ms. Longfellow provided highlights for the Committee on the FY14 Audit of the University of New Mexico, which was jointly conducted by KPMG and Moss Adams. KPMG was responsible for the Main Campus and Branch Campuses financial statement audit. They also did the single audit of entity-wide federal expenditures, and were responsible for all non-clinical component units and departments. Moss Adams was primarily responsible for the UNM Hospital, UNM Behavioral Operations, UNM Medical Group, and Sandoval Regional Medical Center. All of the opinions for all of the entities and component units were unmodified. From an A-133 Single Audit perspective,

specifically federal funding, the program audited for FY14 was the Student Financial Aid Cluster. Also, there was an unmodified A-133 Compliance opinion. There were no material weaknesses or deficiencies, and no findings of non-compliance. All reports were submitted timely to the State Auditor and are now public record.

Mr. Wiens highlighted four audit findings that were reported in the FY14 audit report. The first finding was regarding terminated employees who had access to Banner functions after their separation from the University. The second finding was the review of Census Data submitted to the Actuary. The third finding was related to the funds for the VEBA, which were held under the University and not under the VEBA for FY14. The fourth finding was related to the Lobo Energy component unit regarding a control issue as some checks lacked the required dual signatures. Moss Adams had no findings for the FY14 for the Health Science Audits. Prior year audit findings were briefly discussed from the FY13 audit and all were remediated in FY14. Significant accounting estimates were discussed, which include valuation of alternative investments, patient revenues and related patient receivables, valuation of estimated third-party payor settlements, and estimates of other post-employment benefits (OPEB). Significant or unusual transactions that occurred during FY2014 were highlighted, and for UNM include the VEBA with \$4.3M in total assets. For component units, Innovate ABQ funding through STC.UNM, Facility Facts software and funding, and the Mandelman-Ribak art donation to the UNM Foundation were all listed as significant or unusual transactions.

5. Health Plan Update: Dorothy Anderson, VP for Human Resources, Michael Richards, Executive Physician in Chief of the UNM Health System, Elaine Phelps, Director of University Benefits, Eric Weinstein, Resident Managing Director for Aon, made the presentation.

- a) **Overview of the Health Insurance Plan.** Information was presented on the history of the UNM's Group Medical Plan self-insurance. UNM became self-insured in FY2010 because the University is large enough to be self-insured. When an organization is self-insured, the organization itself governs the rates and actuaries are in place to provide recommendations on rates. Aon is the new actuary for the University. Ms. Phelps provide an explanation on what self-insurance is, which basically is a financing mechanism where a plan sponsor assumes most of the risk. The employer purchases Stop Loss Insurance, which is reinsurance for any large dollar claims. UNM currently has a Stop Loss of \$1M and has gone into the Stop Loss 3 times over the last 5 years. UNM is absorbing the first million dollars. The benefit claims are paid by Third Party Administrators (TPAs). The Medical TPAs include Lovelace and Presbyterian (FY2010-FY2014), BlueCross BlueShield, UNM Health, and Presbyterian (FY2015). Express Scripts has been the Pharmacy Benefit Manager for UNM's Group Medical Plan. There are a lot of reasons employers choose to self-fund with plan flexibility being the most important reason. There are also challenges to self-funding, which mean the self-insurer does need to have adequate reserves to pay any claims. There are some administrative duties that the HR Benefit's Department is responsible for along with additional HIPPA responsibilities in dealing with claims internally.

UNM's past cost mitigation strategies were discussed. A dependent eligibility audit was completed in 2010 to review the eligibility of dependents. This audit resulted in a

first year savings of \$244K and over 5 years a savings of \$975K. UNM will begin another dependent eligibility audit that Aon will be performing in 2015. A person would be found ineligible if a person is a divorce and they do not drop a spouse. It is an oversight in dropping a dependent. Also, a dependent can only be covered by a parent or guardian until they are 26 and the University is also auditing that as well. Plan design changes were implemented, specifically adopting the LoboCare Network, and the Retiree Health Care Task force were implemented in 2012. The VEBA was created and Pre and Post-65 Retiree Premium Allocation shifts with experience rated premiums in 2014.

The rising costs of health care were addressed and challenges and trends were identified. The Health Care reform has resulted in the increase of costs by approximately 2 – 3%. Also since the University became self-funded, premium increases have averaged 3.1% and claim increases have averaged 5.6%. The estimated national trend increase is expected to be around 8%. Contribution rates were discussed and varies based on the active employee income. The three rates are 20%, 30% and 40%.

The UNM Health Plan Committee provided recommendations on items that can be currently implemented, which include increased engagement in disease management and wellness programs, collaborations with UNM School of Pharmacy to identify Rx cost savings, evaluation of a dedicated clinic, and expand collective purchasing. Future recommendations for FY16 include increased LoboCare utilization, decreasing the number of TPAs, defer the VEBA .25% increase, and evaluate a High Deductible Health Plan and Health Savings Account.

- b) **VEBA.** Michael Duran, Chief Operations Officer with Human Resources, made the presentation. The Voluntary Employee Benefits Association (VEBA) was created to provide access to post-retirement benefits for UNM Retirees. It was also created to provide funding to minimize or eliminate the GASB 45 unfunded liability for the University of \$102M. Mr. Duran noted that \$102M was the estimated number if the pre-65 retirees are blended back into the active pool. The impact of the VEBA was discussed and has reduced the Annual Accrued Liability (AAL) by \$31M. The first year contributions and interest earnings totaled \$4.2M and second year contributions and interest earnings are estimated at \$6.4M.

- 6. **Budget Overview:** Andrew Cullen, AVP for Planning, Budget & Analysis, made the presentation.

UNM Budget Development Process. At the request and direction of the Board of Regents, the Administration was tasked to begin work on the FY2015-16 budget development process earlier in the fiscal year than had previously been done. This request was to allow for the Board to obtain information sooner regarding the budget in order to understand the various factors of the recommendation. The revised process would allow for more input from faculty, staff, and students, and also allow time for the Board of Regents to provide budget guidance to the Administration. The process began in September and the Administration provided monthly updates to the Board on budget processes. Year-end balances both central undesignated reserve of the

University and the overall balances among the various units and departments were presented in September and the Environmental Scan was reviewed in October. Budget scenarios were discussed in November and December. An enrollment update and state revenue projections were provided to the Board in January. Mr. Cullen stated that he and Terry Babbitt, AVP for Enrollment Management, have been presenting budget updates jointly due to the recent stresses on enrollment, which is a national trend. One driving factor that has the potential impact to either benefit or harm the University's budget is enrollment. In response to regent inquiry, last year's enrollment was down 1.5%, which equates to \$3.4M.

- a) **Calendar: FY 2015/16.** The FY2016 budget development timeline and calendar were presented to the Committee. Both documents included dates that are critical to the budget process. The calendar began on January 5 when the Budget Planner Projections System opened, and runs through May when the Regents approve the University budget. The 2015 NM Legislative Session dates were also included in the calendar. The 2015 session is a 60-day session beginning January 20 and ending March 21. Mr. Cullen stated an important date to note is the Governor's Veto, which is April 10. It is difficult for the University to do anything concrete with the Budget until Governor acts on the state budget. The budget needs to be submitted to the Higher Education Department by May 1 each year.

EVP Harris provided background regarding tuition, and stated that up until 1984 the Legislature set the tuition for each university in the general appropriation. When Attorney General Hal Stratton was in office, he issued an opinion that tuition can only be set by Regents as a part of their constitutional responsibility. From that point forward Regents at all constitutional universities have been setting tuition.

- b) **Environmental Scan.** The Environmental Scan was provided to the Committee and is a document that was produced, at the request of the Board of Regents, to serve as a resource to stakeholders and decision-makers throughout the current budget development process. It provides a lot of background and contextual information regarding the University, and was meant to facilitate discussions regarding priorities, strategies, constraints, and trade-offs. Three strategic issues were identified in the document as focus areas for budget discussions. These issues include right-sizing the University, strategic investments in student success initiatives, and investments in faculty and staff. Right-sizing the University directly speaks to labor levels at UNM. The main focus for the budget is student success and investing in faculty and staff.
- c) **Concept of Reserves.** The concept of reserves was discussed with the Committee. Every year, Mr. Cullen presents 2 different reports on reserves to the Board of Regents. The first report is presented in September regarding the central reserves of the University. The Higher Education Department (HED) recommends that the universities keep a 3% reserve for the overall central reserve for the University. The central reserves are kept in indices under the Office of Planning, Budget, and Analysis. There are a lot of revenues that flow into it and expenditures that are charged to it. The 2 drivers for central reserves are the estimate on tuition and fees and fringe benefits costs for the University. Fringe Benefits are paid centrally from indices within the Office of Planning, Budget, and Analysis. Those 2 numbers estimate how well the

University will meet the 3% reserve. For UNM, 3% of I&G would be \$9.913M. The University ended the year at \$9.561M, which is slightly below the recommended 3% reserve. This reserve will provide cushion to the budget if there are any miscalculations in revenues or increases in health care.

The second report on reserves that Mr. Cullen presents to the Board each year involves the unrestricted reserves in accordance with the UAP 7000 and Regents' Policy 1.1 and 7.2. There are reserves across the Schools/Colleges and Departments that are unrestricted reserves. The majority of these reserves are earmarked for specific purposes. They are banked as one-time funds and available to all departments across campus. Mr. Cullen presented several charts to the Committee which broke down the unrestricted funds of the University. For FY14, the amount across the entire campus including Academic Affairs, President's Office, Administration, Student Affairs, Branches, and other HSC was \$95M. Mr. Cullen addressed what the University is doing with reserves. They developed a categorization of reserves system to quantify dollars that are committed for one-time use. For Main Campus there was \$52M listed in department dedications.

- d) **Capital Funding Overview.** An overview was provided on capital funding for the University. There are several types of student fees for debt service. ERP (IT) Project fees are applied against the debt service commitment associated with the Enterprise Resources Planning (ERP) system. Facility Fees are fees applied against the debt service commitment associated with the construction of facilities for academic, research, and student life projects. Bond issues were discussed. The amount of revenue needed for specific amount of money for bond proceeds depends on the various terms of the bond transaction. Terms include the interest rate, debt structure, term or length of debt, and capitalized interest. For example, if the University wanted \$10M in bond proceeds, the amount of revenue needed would be in the range of \$650K-\$800K for annual debt service payments for every \$10M in bond proceeds sold. Mr. Cullen provided the Committee with the Moody's Investor Service report, which provides detail on the Aa2 bond rating of the University.
- e) **FY 16 Preliminary Models.** A preliminary budget scenario for FY2015-16 was presented to the Committee. Base Scenario 1 includes information on estimated FY14 State Instruction and General (I&G) information at \$188M. Tuition is estimated at \$134M and includes an adjustment for the enrollment decline at \$2.5M and the adjustment for the bad debt payoff of \$1.1M. Mandatory student fees were estimated at \$32M, with an adjustment of \$885K for the enrollment decline. The total source of funds is at \$328M with adjustments totaling a negative \$4.1M. Must-fund items, such as health care benefits and utilities, were accounted for in the budget scenario which totaled \$331M. This leaves the University with a negative \$7.2M hole in the budget for FY16. No strategic initiatives were listed in the budget scenario.
- f) **Budget Leadership Team, Cost Control Group.** The Budget Leadership Team (BLT) was a committee formed to create a broader voice in the University's budget development process. The BLT is charged with developing budget recommendations to recommend to the President. The President will then make a recommendation to the Board of Regents. Responsibilities of the committee include the evaluation of strategic

investments, performance funding, compensation for faculty and staff, inflationary increases for core institutional operations, and new initiatives. EVP Harris and Provost Abdallah are co-chairs of BLT, and there are several members from Academic Affairs, Administration, and Constituency groups.

The Cost Control Group (CCG) was formed at the direction of President Frank to identify areas and proposals for cost savings at the University in order to address potential budget shortfalls in the current budget development process. The group identified key principles for cost reduction, which include reduction of duplicative services, natural and strategic attrition, benefits reduction strategies, outsourcing core services, and right-sizing the University.

At the Request of Regent Koch, Mr. Cullen briefly discussed the Student Fee Review Board (SFRB), which is a student-led board co-chaired by the ASUNM and GPSA presidents. There are roughly \$32M in fees on Main Campus that support student life and some debt service. The SFRB makes a recommendation to the BLT on the allocation of the fees not related to debt service.

- g) **Budget Summit.** The annual Budget Summit, which is scheduled for April 10, is a special purpose public meeting of the full Board of Regents in order to discuss all budget materials and recommendations developed prior to that meeting date. The Regents will have an opportunity to review the materials presented and make recommendations to the Administration. At that time, the Regents will also have an opportunity to approve any modifications to UNM's compensation package, such as pay increases, and also approve the FY2015-16 tuition and fee rates.

7. **Enrollment Management:** Terry Babbitt, AVP for Enrollment Management, made the presentation.

- a) **Performance Metrics.** Information was provided on Performance Metrics. A graph was presented to the Committee on UNM Main Campus data regarding headcount, student credit hours, and Full Time Equivalents (FTEs) between 2005 and 2014. The numbers had slightly decreased in FY2014 due to lower enrollment in the fall. There were a number of environmental variables discussed that can impact enrollment. External factors included population demographics, current economic conditions, and levels of financial support. Internal factors included student success goals, intuitional funding, and program availability and capacity. Factors that indicate a challenging enrollment environment for higher education institutions included decreases in populations and very small growth of high school graduates, slightly improving economy, and the current funding levels of state and federal gift aid. Mr. Babbitt presented another chart regarding 3rd semester retention rates, which has increased to 79.1% for the 2013 cohort. This increase in retention is a great achievement for the University.
- b) **Tuition and Fee Structure (4-year Guaranteed Tuition).** The tuition and fee structure was briefly discussed and Mr. Babbitt presented information on the modified block tuition structure. This modification was initiated 2 years ago and changed the old block which began at 12 credit hours, to the new block which currently begins at

15 credit hours. This change was introduced in order to push students to take more credit hours to complete their degree in a timely manner. This has resulted in a 15% increase in higher credit hour loads for students. If the students enroll in 12 credit hours their cost per year is \$6,846 and if they enroll in 15 or more credit hours their cost per year is \$6,447, which is a savings of nearly \$400 per year. The 4-year guaranteed tuition model was discussed, which is a tuition structure where a student can sign an agreement to pay the same amount of tuition for 4 years but they must stay on track to graduate within those 4 years.

- c) **Institutional Comparison.** Data was presented to the committee that showed the 2014-15 tuition and fees as compared to 21 peers of the University's peer institutions. University of California Riverside had the highest tuition and fees per year at \$13,407. The median for tuition and fees was The University of Texas Arlington at \$8,878 per year. UNM was the lowest for tuition and fees at \$6,447 per year. Mr. Babbitt discussed data on residential tuition and fees as a percentage of median household income with UNM at 14.9%.
 - d) **Financial Aid.** A pie graph showed the amount of financial aid the University of New Mexico received. The largest amount was in loans which totaled \$133M, scholarships was the second largest amount totaling \$84M, grants totaled \$44M, and work-study totaled \$3M. The average net tuition and fees paid by degree seeking undergraduates is 18%. Mr. Babbitt discussed the historical tuition and fee changes at UNM beginning in FY1984-85 through the current fiscal year FY2014-15. The average percentage increase per decade has been between 4.9% and 8.3%.
 - Pamina Deutsch, University Policy and Administrative Planning Director, provided information to the Committee on tuition and fee policies. In the Regents' Policy Manual, Section 4.7 regarding tuition and fees states that the Board of Regents have the ultimate authority in approving tuition and fee rates. In the Administrative Policies and Procedures Manual, Policy 8210 regarding tuition and fees states that the University President has the responsibility for developing a recommendation to present to the Board of Regents, but the Regents have the ultimate authority in approving the tuition and fee rates. Both policies were recently revised to include up to date information and clear up confusing language.
8. **Legislative Overview.** EVP David Harris, Connie Beimer, and Mathew Munoz made the presentation. EVP Harris introduced the Government and Community Relations team to the Committee, Connie Beimer and Mathew Munoz are full time employees in the government affairs operations. There are also 2 contract lobbyists, Joe Thompson, who has worked with UNM for the last 10 years, and Art Hull, who has been helping UNM this year. Vanessa Hawker, from the Health Sciences Center (HSC), also works with the Main Campus Government Affairs team on state and federal initiatives. UNM has a consolidated program where, through a process of prioritization, they identify suggested priorities for the New Mexico Legislature; these priorities are approved in June or August each year by the Regents.

Mr. Munoz commented that funding for higher education in the New Mexico has been steadily decreasing over the past 10 years.

Regent Koch stated the reason for the decline in funding is that the Legislature believes higher education has other ways of obtaining funding, such as the UNM Foundation which has slightly above \$400M. Universities also have the ability to raise tuition and fees to obtain funding.

Mr. Munoz presented PowerPoint with several graphs regarding state funding for higher education for FY15. The first graph illustrated higher education's total sector of the budget in NM, which is nearly 14%. The next graph illustrated UNM's total State Appropriation versus the total Higher Education State Appropriations in the state. Of the higher education institutions, UNM receives 38% of every dollar that is spent on higher education in NM from the state appropriation. This is the entire budget including Main Campus, HSC, Branch Campuses, and all small line items. The next graph presented the breakdown of state appropriation per campus. Of the state appropriation funding, Main Campus receives 63%, HSC receives 30%, and the Branch Campuses receive 7%. The next graph illustrated the breakdown of State Instruction and General (I&G) funding to the Research and Public Service Projects (RPSPs). The State I&G funding is their main goal every year, as well as the RPSPs line items that important to the University.

The next slide illustrates how well the University did last year with the funding. Of every new dollar that was spent, the University received 38% of it. The next slide provided a breakdown of the General Obligation (GO) Bond capacity. UNM received 36% of the Higher Education 2014 G.O. Bond. UNM represents 48% of full time equivalent (FTE) students and also has 48% of square footage.

EVP Harris briefly discussed the State Higher Education Funding Formula. The I&G appropriation is generated through the funding formula which all of the universities use to receive their funding. Former Higher Education Secretary, Jose Garcia, formed a task force last summer. The task force created a funding formula that was presented to the Legislative Finance Committee (LFC) which measures against important criteria and outcomes such as graduation rates and credit hour generation. The task force recommended that a portion of the current year base budget be put at risk and is redistributed based on these performance criteria. The University prefers a higher amount at risk because UNM generally performs better than the other schools in the State. Last year the Legislature used an at-risk factor of 4.5%. This year the Governor recommended 10% at risk. They believe they have a stable funding formula currently that will be tweaked going forward. The new Secretary of Higher Education, Dr. Barbara Dameron, is also a staff member at UNM was recently appointed as Secretary. Secretary Dameron is supportive of the current funding formula.

Ms. Beimer briefly discussed the University's legislative requests. A top issue for the University is compensation, which the University has received compensation funding from the State for the past 2 years. In addition to that, the Medical School I&G is critical because they need to get doctors and faculty physicians up to peer institutions' pay scale. Mr. Munoz commented that when the state provided compensation funding the past 2 years, they only funded the pay raise for the I&G employees, which came out to 60 cents on the dollar. The University was required to come up with the difference. The Council of University President's is working this year to get the Legislature to stop calculating it based on I&G, but rather based on previous years' employment data.

The Lottery Scholarship is another key focus area and the Governor recommended \$6.5M to keep it at 95% for the next 3 semesters. There was discussion of some bills being introduced to fix the Lottery with a permanent solution, or they need to find funding for FY17. UNM supports equitable solvency for the Lottery Scholarship. For Endowed Faculty Positions, the LFC has recommended \$5M and DFA has recommended \$2.5M. Regarding deferred maintenance, UNM used to receive funding in the old formula for building maintenance which was done away with. The Legislature has given a few times, a line item appropriation for building maintenance that would be spread among all the institutions. The LFC recommended \$20M for deferred maintenance this year. Ms. Beimer stated under HSC Legislative Requests, the Medical School residency program is critical to the state as all residency slots will be filled by FY2017. New funding for residency slots is important.

RPSPs were briefly discussed. Main Campus has 8 expansion requests, which include the Degree Plans, Brain Safe Program, Venture Space, DPACC, Utton/Ombudsman, Family Development, College Prep, and Mentoring Institute. The HSC has 9 RPSPs expansion requests, which include School of Medicine Residencies, Office of the Medical Investigator, Center for Childhood Maltreatment, UNM Pain Center, NM Health Workforce Analysis, BA/DDS, Project Echo, Expanded Dental Hygienist, and School of Medicine Rural Medicine.

Finally, for Capital Project requests, the LFC has recommended \$500K in planning money for the Physics and Astronomy Building, \$6M for the Health Education Building, and the Farris Engineering Building did not receive a recommendation. UNM was recommended \$8M for Severance Tax Bonds this year, while other universities have been recommended closer to \$3M.

EVP Harris provided a brief Legislative Session outlook for this 60 day session and stated that the Republicans have the majority in the House. They will have a different agenda and the University will need to adapt to the change. The money supply is questionable and the Legislature will do a new revenue estimate. Regent Koch stated that they have the most aggressive lobbyist in Santa Fe that are very well organized and effective.

- 9. Faculty Compensation.** Chaouki Abdallah, Provost and EVP for Academic Affairs, made the presentation. At the request of Regent Koch, information was provided to the Committee regarding the state of academic personnel at the University.

The UNM 2020 academic goals were discussed. Improving student success by increasing retention and graduation rates, working on positively impacting K-12 for higher education preparation, and increasing the value of the UNM degree were listed as goals. One major goal for Academic Affairs is supporting faculty strengths with focus on recruiting, retention, enhancing faculty research, creative works, community services, and ultimately on compensation. Provost Abdallah stated that UNM has made important advances in re-emphasizing the academic mission due to strategic investments. These investments have led to increased performance. The UNM Peer Listing was discussed and included 22 institutions. There are four important numbers that Academic Affairs focuses on. The first is graduation rates, specifically the 4-year rate; however, the most important thing is for students to graduate even if they go beyond 4 years. The second is the net tuition cost,

which represents the real cost for students to attend the University after financial aid. The third is the total expenditure per student FTE, which is the total of the tuition and state funding per student. The fourth is the return on investment (ROI) which ultimately is the value of the UNM degree. A chart was presented to the Committee with new data that explained the graduation rates on transfer students. This is new data that is now available to institutions nationwide and represents a more accurate figure for graduation rates.

Regent Koch requested that the chart regarding graduation rates and transfers be presented at the next full Board of Regents meeting because this data is important for the University and public to be aware of.

Provost Abdallah stated that the ROI represents a product of the quality of education offered at an institution and the overall academic reputation. Faculty, advisors, research support, and staff are all critical to the ROI. Out of 1312 universities, UNM's ROI was ranked 388. A typical early career salary for a UNM graduate was \$43K. The I&G base allocation for Academic and Student Affairs has increased \$10M over the past 5 years, or 6.8% total. With the increase in I&G funding, the University was able to hire 50 new faculty members, more advisors, provide equity adjustments, and 2 consecutive compensation increases of 3% for faculty. A chart was presented which illustrated UNM's retention rates, which have gone up to 79.1%. Also illustrated were the 4 and 6-year graduation rates which have also seen increases. Provost Abdallah stated that salary was identified as the top reason for voluntary separation from the University. A chart was presented that illustrates the average faculty salary of UNM versus peer institutions. UNM is below the peer average salaries and has remained flat over the past few years; however, the University's performance is above average. Provost Abdallah emphasized the importance of creating a culture that emphasizes achieving student success and rewarding faculty and staff for their performance in achieving these goals.

Regent Koch stated that Provost Abdallah is one of the best Provost he has worked with, and his academic plan and efforts are appreciated.

10. Real Estate Overview:

- a) **UNM Owned Real Estate.** At the request of Regent Koch, EVP Harris provided a brief background on the Lobo Development Corporation (LDC) which was created in 2008 to initiate economic activity to generate revenues for the University. LDC had done many positive things during that time period, which included the privatization of the 2 dormitories and the Rio Rancho Learning Center. The current chairman of the LDC Board is Regent Koch and it mainly is intended to manage the real estate holdings of the University. Tom Neale is the Director of Real Estate, and Chris Vallejos is the AVP over Institutional Support Services (ISS) which are the auxiliary operations. The University has a number of auxiliaries, each one being a profit center or a business that operate on its own.

Bob Goodman, President of the Sandia Foundation, provided a brief overview of the Sandia Foundation which was set up in 1949 by Hugh and Helen Woodward. The Woodward's attended school at Dickenson College in Carlisle, Pennsylvania in the early 1900s and moved to NM in 1920s. Mr. Goodman stated that they had no children

so when they died; they left Sandia Foundation as the trustee for their estate. All of the assets subsequently got moved into Sandia Foundation by 1973 after both had passed away. Mr. Woodward was on the Board of Regents at UNM, was Lieutenant Governor, US Attorney, Lawyer, had a construction company, Loan Company, and purchased a lot of land, specifically on Lomas. Mr. Woodward had \$8M and by the will, 45% of annual distributions go to UNM, 45% to Dickenson College, and 10% go to various 501(c)(3) organizations in Albuquerque. UNM put those funds into an Endowment fund and the earnings on that endowment fund go towards scholarships. The Woodward Endowment Fund is currently at \$40M.

- b) Management of Property.** Tom Neale provided a brief overview of the Real Estate Department, which provides a comprehensive real estate services for all entities under the Regents, including the academic units on north campus, central campus, the Medical Group, UNMH, entities of the HSC, and all of the Branch Campuses. Real Estate's principle area of focus is leasing. Maps were presented to the Committee that show all of the University's land holdings.
 - c) Capital Projects.** Chris Vallejos made the presentation. An overview was provided to the Committee on the capital project process, which is overseen by Institutional Support Services. There is an intake system for departments and items higher than \$300K must go for review to the Finance and Facilities Committee, Board of Regents and NM Higher Education Department for approval. Any project higher than \$750K must also go to the State Board of Finance for further approval. An example of a project request was provided to the Committee for reference. Mr. Vallejos also presents a capital projects executive summary report to the Committee which shows the status of current capital projects.
- 11. Adjourn. Regent Doughty moved to adjourn at 4:16 p.m., and Regent Chandler seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**