

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
June 9, 2015 – Meeting Summary

Committee Members Present: Regent Jamie Koch, Regent Robert Doughty, and Regent Marron Lee

Committee Members Absent: none

Non-voting Members Present: none

Other Attendees: **Chaouki Abdallah**, Provost/EVP for Academic Affairs; **Karen Abraham**, Alumni Relations; **Carl Alongi**, UNM Foundation; **Dorothy Anderson**, Human Resources; **Wendy Antonio**, UNM Foundation; **Duane Arruti**, IT; **Cinnamon Blair**, Communications & Marketing; **Joe Cecchi**, School of Engineering; **Bruce Cherrin**, Purchasing; **Alexandra Cervantes**, ASUNM; **Andrew Cullen**, Planning, Budget & Analysis; **Crystal Davis**, Staff Council; **Pamina Deutsch**, Policy Office; **Jerry Dominguez**, Provost Office; **Suzanna Finley**, Regent's Office; **Robert G. Frank**, UNM President; **Sara Gurule**, Office of the EVP for Administration; **Jenna Hagengruber**, ASUNM; **Rod Harder**, UNM Foundation; **David W. Harris**, EVP for Administration, COO & CFO; **Ashley Hawney**, Office of the EVP for Administration; **Jennifer Kemp**, UNM Foundation; **Paul Krebs**, Athletics; **Lisa Kuuttila**, STC.UNM; **Terry Laudick**, Nusenda Credit Union; **Ava Lovell**, HSC; **Jim Mackenzie**, 350.ORG; **Lisa Marbury**, Institutional Support Services; **Argy Maniatis**, Communications & Marketing; **Texanna Martin**, GPSA; **Cenissa Martinez**, Office of the EVP for Administration; **Liz Metzger**, Controller's Office; **Tom Neale**, Real Estate; **Henry Nemcik**, UNM Foundation; **Bob Notary**, Physical Plant Department; **Jerry Ortiz Y Pino**, NM Senator; **Manu Patel**, Internal Audit; **Pamela Pyle**, Faculty Senate; **Mallory Reviere**, Regents' Office; **Marcos Roybal**, University Services; **Ethan Rule**, Communications & Marketing; **Larry Ryan**, UNM Foundation; **Tom Solomon**, 350.ORG; **Melanie Sparks**, Institutional Support Services; **Kevin Stevenson**, Office of the President; **Wendy Stires**, UNM Foundation; **Jason Strauss**, Lobo Energy; **Chris Vallejos**, Institutional Support Services; **Amy Wohlert**, Office of the President; **Jeff Zumwalt**, Physical Plant Department.

Chairman Regent Koch called the meeting to order at 9:00 a.m. in Scholes Hall, Roberts Room.

ACTION ITEM:

- **Quorum established**

- 1. Discussion and Possible Approval of Memorandum of Understanding between Innovate ABQ Inc. and the County of Bernalillo.** Terry Laudick and Lisa Kuuttila made the presentation. Regents' approval was requested for Memorandum of Understanding (MOU) between Innovate ABQ Inc. and the County of Bernalillo. Mr. Laudick introduced himself to the Committee and is the President/CEO of Nusenda Credit Union, formerly known as the New Mexico Educators Federal Credit Union. The credit union was originally founded as a non-profit financial institution to serve educators in Albuquerque, and in the late 1960s, after a merger with the Coronado Credit Union, UNM and CNM joined as eligible groups. The mission has always been to support the credit union's

members/owners. Nusenda provides in-kind support for the University such as scholarship funding. The non-profit status only has Nusenda earning profits for capital needs, and the excess profits are returned back to members and organizations that employ them.

Mr. Laudick was invited by President Frank to visit the Innovation Square in Florida and attend Dr. Wang's Economic Forum. During this trip, the opportunity for a contribution from Nusenda towards the Innovate ABQ project arose. President Frank asked Mr. Laudick if Nusenda would be able to contribute a monetary donation to the project, which Mr. Laudick confirmed they would be able to. Nusenda made a donation through the UNM Foundation of \$3M to be used for the Innovate ABQ project. There are 150,000 members/owners of Nusenda, and the best way to support those members/owners is to increase the economy and their own opportunities for wages and benefits and such. For 150,000 members/owners, \$3M would equate to \$20 per member. If Nusenda distributed \$20 to members, the majority of them would keep that amount in their savings account and it would not make an economic impact. Over half of Nusenda members live in a household income below \$32K per year, and 19% live in a household income below \$21K per year. The only way we were going to help improve the economic opportunities for our membership is to be a part of this economic mobility around Innovate ABQ. They are happy to justify the contribution knowing that other parties, public and private, will also be participating such as the City, the EDA Grant, and now the County of Bernalillo. Many of the contributions from other parties have a claw-back clause if the Innovate ABQ project does not go forward, but the Nusenda contribution does not.

Mr. Laudick briefly reviewed the MOU with the County of Bernalillo. In February 2014, Bernalillo County voted to commit \$1M to participation in the collaboration of Innovate ABQ. The MOU is a tenable agreement, which he felt met the necessary requirements and our vision for their participation. The negotiations on the MOU centered on metrics of performance, and so within the MOU there are claw backs relative to the performance. The \$1M contribution is structured into four installments based on key metrics of performance, which the Innovate ABQ Board of Directors believes is attainable. Upon signing the MOU the first \$250K would be distributed, and the second \$250K would be eligible at a groundbreaking and after providing a 5-year business plan, which may be possible in FY 2016 based on the developer and phasing the construction. The third installment of \$250K will be distributed at the ribbon cutting for the incubator, and the fourth would be six months after the opening. There are claw backs in the MOU relative to the number of companies that would be engaged in Innovate ABQ, and on a 3 year period, there needs to be a certain level of increase. The Innovate ABQ Board also believes these metrics are attainable. In response to Regent inquiry, if the Innovate ABQ project does not go forward they are required to pay the County of Bernalillo back. The \$1M contribution may be used for operating expenses and salaries, as there are no restrictions on it for capital infrastructure.

President Frank stated that they anticipate the funds being used to hire a manager to push forward on several activities with Innovate ABQ.

Mr. Laudick stated that they are in the process of reviewing RFP responses and anticipate that we could be selecting a master developer by August or September 2015. There were three responses to the RFP, one local, one national, and one international. They all have a

local partnership for a team approach. The international company is based out of Japan. A Board meeting will take place on June 26 to move forward with the process. In response to Regent inquiry, there are no term sheets available at this stage of the RFP.

President Frank congratulated Terry Laudick and the Innovate ABQ Board, as it is a great group of people who are making fast progress. Ms. Kuuttila and her staff at STC.UNM were thanked for their efforts with the Innovate ABQ project. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

INFORMATION ITEM:

- 2. Monthly Consolidated Financial Report for Main Campus and HSC.** Liz Metzger and Ava Lovell made the presentations. Information was provided to the Committee on the Monthly Consolidated Financial Report for Main Campus and HSC.

Ms. Metzger presented the Monthly Consolidated Financial Report to the Committee as of month end April 30, 2015, ten months into the fiscal year. This is the consolidated report and includes the Health Sciences Center, University Hospital, Main Campus, and Auxiliaries. There is no Plant/Capital Fund information in the monthly report. A graph was presented that detailed the consolidated total operations for the University, which was a positive \$36M. That amount is comprised of \$21.6M on the HSC, \$13.6M on Main Campus, and \$600K on the Branch Campuses. A graph was presented that detailed Main Campus current operations, which was a positive \$14M balance. A graph was presented that detailed the Instruction and General (I&G) revenues and expenditures. Revenues totaled \$419M and expenditures totaled \$398M. The net of those numbers is \$21M positive.

The I&G exhibit is where the University's state appropriations are recognized and where the pooled tuition is held and then distributed out. That is also the exhibit which funds the majority of the University's salaries, expenses, and academic instruction areas. Ms. Metzger briefly reviewed the background information and what each page of the report is comprised of. Summer tuition is not included in this report but will be included in May's report.

In response to Regent inquiry, if we did not take the funds out of the health insurance reserve then we would have a deficit of \$3M.

Regent Koch stated that the University needs to closely monitor fall enrollment to see if it is down. He also stated that they need to monitor their expenses throughout the year in case the University does see another drop in enrollment.

President Frank stated that they have implemented a 5% holdback on budgets.

Ava Lovell presented a financial report on the Health Sciences Center (HSC) to the Committee as of April 30, 2015. The HSC metrics were presented on several graphs. Ms. Lovell stated that the Monthly Consolidated Financial Report presented by Ms. Metzger does not include the Medical Group and the Sandoval Regional Medical Center (SRMC).

The first metric reviewed was the Approximate Cash Flow/ (Use) from Operations, which shows how the HSC is doing on an operating basis. This includes the academic side of HSC such as the schools, colleges, administration, and research. The HSC was at a positive \$18M, UNM Medical Group (UNMMG) at a positive \$7.4M, UNM Hospital (UNMH) at a positive \$86.6M, the Sandoval Regional Medical Center (SRMC) at a positive \$9.2M. The Operating Net Margins were discussed and the HSC does not book depreciation, because it is a governmental unit. UNMMG reflected a positive \$7.1M, UNMH a positive \$58.4M, and SRMC a positive \$1.2M. For Net Income (Use of Reserves), HSC was at a positive \$9.3M, UNMMG a positive \$1.1M, UNMH a positive \$12.3M, and SRMC a positive \$1.2M. For Uncompensated Care, the HSC is currently at 9% to date and they estimate ending up at 12. Days Cash on Hand was discussed and includes 14.57 days for HSC, 44.87 days for the UNMMG, 63.44 days for UNMH, and 84.13 days for SRMC. Accounts Receivable was discussed and HSC is at 8%, UNMMG is at 24%, UNMH is at 26%, and SRMC is at 8% greater than 90 days. Ms. Lovell briefly discussed the Research Operations which reflect an increase in proposals submitted and awards were also positive. Contract and Grant expenses are the spending down of various awards and that the researchers are working.

In response to Regent inquiry, SRMC operations have improved and the occupancy is at 75-80%, which means it is profitable and positive.

ACTION ITEMS:

- 3. Finance and Facilities Committee Meeting Summary from May 5, 2015. Regent Lee moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 4. Approval of Disposition of Surplus Property for Main Campus on List Dated, May 22, 2015.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus on list dated May 22, 2015. There were 45 items on May's disposition, with three items that had a total net book value of \$9,213.59. Mr. Cherrin stated that an item from the University Libraries does have some value. The item is an Espresso Book Machine which was purchased in 2012 at a cost of \$105K for the purpose of printing and binding electronic materials. The need and demand for this type of machine has decreased, and costs for operation are exceeding the cost-recovery revenues. The item will be going to auction to get money back for the library on the item, which is currently on the books for \$8,749.89. **Regent Lee moved to approve and Regent Doughty seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

- 5. Contract Approval:**
 - 1) Anthropology and Maxwell Museum HVAC Controls, Lighting Replacement.** Bruce Cherrin and Chris Vallejos made the presentation. Regents' approval was requested for Anthropology and Maxwell Museum HVAC controls and lighting replacement. Mr. Cherrin stated that this contract approval is unusual in that it did not have to go to the State Board of Finance (SBOF) or Higher Education Department

(HED), but the project is over \$1M so it does require review by the Regents. The project is a replacement of existing HVAC and pneumatic controls for the Anthropology and Maxwell Museum. The total project cost will be around \$1.3M, and source of funds are from utility reserves and building, repair, and renovation sources. The project is out to bid and the bids are coming in, however since the Regents are not scheduled to meet in July, they requested approval based on EVP David Harris' final review. Regent Koch commented that this type of approval, pending EVP Harris' final review, has been done before in cases where there is a month when the Regents do not meet. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

6. **Approval of Annual Renewal of Maui HPCC Lease.** Tom Neale made the presentation. Regents' approval was requested for the annual renewal of the Maui HPCC Lease. In 2000, the University's Center for Advanced Computing Research won a contract to set up the Maui High Performance Computing Center. This was a grant opportunity for the University. There are five of these centers throughout the country and they are closely aligned with the Department of Defense. Subsequent to that award, UNM set the facility up and in 2001 the research corporation of the University of Hawaii won the contract to operate the facility. UNM then sublet the facility to the University of Hawaii. Prior to that, UNM entered into a long term lease with the Bank of New York as Trustee for a certificate of purchase. At the time the lease was negotiated there was a host of provisions that allowed for termination if the University did not have the funding to support the facility or if the project was awarded to another operator of the High Performance Computing Center. The original lease expires in June 2025 and annual renewals have been presented to the Regents for the past 15 years.

In response to Regent inquiry, the University did experience a setback 2 years ago when the University of Hawaii lost the contract to operate the facility and it fell into no man's land. Due to that, the University could no longer provide the sublease document needed to make rent payments so the University looked into terminating the lease agreement. The University's bond counsel indicated that terminating the lease could have an impact on the University's credit rating. That issue was taken seriously and the University negotiated heavily with the Army Corp of Engineers who stepped in on behalf of the government to keep the performance computing center running while they waited on another award for another operator for the facility. The University was successful with that extension, and rescinded the termination while the Army Corp of Engineers occupied the facility under an occupancy agreement for 9 months that expired in May 2014. In February 2015, the University entered into a new longer term lease with the Army Corp of Engineers, which will run through September 30, 2018. After that point, there will only be 7 years left on the master lease with the Bank of New York. Mr. Neale stated that Provost Chaouki Abdallah was instrumental in helping resurrect this project with some of his contacts with the Air Force Research Lab. The University got tremendously bogged down in the bureaucracy and Provost Abdallah was able to break the log jam when this building became unoccupied.

A purchase option on the property became available June 2010 for \$9.165M and the current value of the property today is \$11M. The structure of the agreement with Bank of America is at any point when the University exercises the purchase option, the certificate holders are

then paid off and any residual money comes back to the University as credit at closing. If the sublease agreement is continued and run the table, in 2025 the University will then own the asset worth \$11M outright and will have used sub lessee payments to satisfy the debt obligation.

In response to Regent inquiry, the debt service rent obligation on the lease is slightly over \$1M and there is a procurement cap with federal government to stay below \$1M. The lease payment received from the Army Corp of Engineers is \$998K. The University covers roughly \$7-9K of the debt service rent obligation for the lease.

Regent Doughty expressed concern with the University speculating on property in Maui.

Mr. Neale stated that if the University wanted to get out of the lease there is a market for the property. The Army Corp of Engineers, who is currently occupying the faculty, is in the process of installing a \$1.5M solar installation on the roof at their own expense. It is very probable that the Army Corp of Engineers will enter into a longer term lease when the current lease expires in September 2018. A triple-net federal government backed lease is highly marketable. In Mr. Neale's view, that would be the appropriate time to consider divestment of the asset as the potential rewards to the University would be significant. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

7. **Approval of RFP for UNM Branding and Marketing Proposal.** President Robert G. Frank and Cinnamon Blair made the presentation. Regents' approval was requested for the approval of the RFP for the UNM Branding and Marketing proposal. Ms. Blair, Director of University Communications and Marketing (UCAM), presented several PowerPoint slides which discussed the University's effort on branding, which is one of the major initiatives for the upcoming year. Many view branding throughout campus as a forced top down effort where departments are stamped and do not have freedom to reflect the personality of their units. The new branding effort will be an inclusive process, and people throughout campus will have an opportunity to participate and engage in it. It will not be something that is completely restrictive or hampering of the ability to reflect department's own programmatic personalities. Ms. Blair discussed the importance of the University having a brand because if it is not articulated, people will develop perceptions based on what they hear or see. The brand will allow those who are looking for UNM or other universities to see a clear representation and identity of our University. It is reputation building.

In the Fall 2014, a statewide perception study was conducted through the company Research and Polling with over 700 people statewide participating. The study asked the participants how they felt about the value of a UNM education, how they felt about UNM in the context of higher education within the State, and other opportunities for higher education. Of the participants, 74% of the people polled stated felt that UNM was a good university. The cost of the poll was a little over \$40K and did not include any over samples. Ms. Blair will forward the full report to the full Board of Regents. The last time a perception study was done was in 2006, which is a significant gap as they should be done every 3 years. The research data and information from the poll indicated that UNM lacks a market presence. There is not a bad perception of UNM as people think it is a great University, however they cannot articulate why it is great. Areas that rose to the top were

the Health Science Center, Hospital, and Athletic teams. Generally, people had this vague perception of other programs offered by the University, which UCAM would like to capitalize on. Data also revealed that people with higher levels of education tended to think the quality of UNM was not as good. If we do not do this deliberately and clearly identify who we are and what we stand for, people will make their own assumptions based on what they hear and see without the University telling its own story. Research and Polling recommended that the University move forward with a branding effort and to build our reputation, because it is there but needs to be refined.

Ms. Blair reviewed the SMART Brand Strategies which include being simple, meaningful, accurate, reinforced, and tangible with marketing efforts. UCAM has received \$500K of new funding during the budget session and will use that for brand development. The scope and process were discussed in relation to the multi-phased RFP. The first phase is discovery and assessment, which is the research and data review phase. UCAM will review existing research, communications and marketing programs, and conduct interviews through focus groups to determine UNM's perception internally and externally. The second phase would be to use that information to develop the brand strategic framework to target a specific audience to enhance enrollment efforts. The third phase is to look to the creative concept development and the agency would be asked to provide two different concepts. The fourth phase is University-wide brand rollout, which will present plans as well as comprehensive marketing and communication plans. The fifth and final phase would be the ongoing brand execution phase. This would provide full-service marketing and creative support including development and production of television and radio spots, creative print and online advertising, and provide media planning.

Ms. Blair reviewed the timeline for the RFP, which will run from June through August 2015. The review committee is comprised of 9 individuals with representation from HSC, Main Campus, and the UNM Foundation and will be reviewing offers and viewing presentations from the top 3 offers. The RFP has been submitted to purchasing, it will close at the end of June. The 5 phases will run from the months of September 2015 through April 2016. The benefits of successful branding were discussed and would give the University support in all engagement efforts and increase public awareness, specifically about our academic programs. Several of the University's priorities include increasing the diversity and quality of applicants, developing a wider appreciation for the quality of our faculty to increase philanthropic support, stronger ties with our alumni, unified institutional pride for employee retention, and having better jobs for our graduates because UNM is more recognized in the job market. President Frank stated that the branding effort will benefit the upcoming Mill Levy election.

The financial aspects of branding were discussed. The latest comprehensive report on marketing spending in colleges and universities was conducted in July 2010 and showed that over a 10 year period that marketing dollars for universities with students over 6,000 was \$500K or \$620K adjusted for inflation. The amount has tripled over the last 10 years. The results by those universities that have committed the additional funding have seen about 20% higher on the impact of the quality of their applications, which is the result UNM would like to achieve. The UCAM budget was briefly discussed and, without reserves, has been allowed for basic maintenance and in-state reach. Approximately 2-3 ads run in the ABQ Journal per year and 5 billboards are placed throughout the state. UCAM

has a newsroom they run and pay an annual license fee for. They also conduct digital outreach. The total is about \$158K per year, not falling into reserves. Reserves have been saved over a 2-4 year period in order to execute a year-long campaign and invest in campus-wide communication infrastructure.

Ms. Blair briefly discussed a new marketing campaign that is being installed in the Albuquerque International Sunport titled LoboScape. LoboScape is an installation featuring visual arts technology which will welcome all travelers with images and videos of the University of New Mexico as they exit the revolving doors from the Sunport terminals. LoboScape was a collaborative effort with UCAM, School of Architecture and Planning, and College of Fine Arts. LoboScape represents and promotes UNM and its various programs on all campuses. **Regent Lee moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

8. **Approval of STC.UNM Board Reappointments.** Lisa Kuuttilla made the presentation. Regents' approval was requested for the STC.UNM Board appointments/reappointments. STC.UNM is a separate 501c3 and is wholly owned by the Regents of the University of New Mexico. It has a unique make up of its Board of Directors, which include ex-officio positions of UNM leadership, faculty representation, and members from the business community. The Board has a conflict of interest policy that precludes people from serving on the Board that have direct business dealings with STC.UNM. The Board is large and does not have a limit on the number of Board members, but must conform to a 60/40 rule that stipulates only 40% of the Board can be from UNM and 60% from the external community. There are currently 25 members. Each member serves a 4 year term with no term limits, which provide a great range of membership as some members have served for the life of the corporation, which provides intuitional memory and knowledge of 20 years.

Ms. Kuuttilla commented that Sandra Begay-Campbell and Chuck Wellborn, first two reappointments, have been excellent members and valuable assets to the STC.UNM Board. Ms. Begay-Campbell was appointed on the Board of Regents by Governor Gary Johnson and was an outstanding Regent. Mr. Wellborn served as STC.UNM's first president in 1995 for 5 years and has been on the Board for 20 years. He brings great institutional memory for the corporation. Dr. John Stichman, former Executive Vice President at Sandia National Labs, has served on the Board for 8 years and brings an important connection to Sandia Labs. Mr. Terry Laudick is a new appointment to the Board that is being requested to solidify the partnership with the Innovate ABQ Corporation. Dr. Sang Han is an appointment to fulfill the Main Campus Faculty representative. Dr. Han is an active inventor and has a number of disclosures on patents with STC.UNM.

Regent Koch nominated another member, Mr. Gene Gallegos, be added to the STC.UNM Board of Directors reappointment list. Mr. Gallegos was a former Regent at UNM and had been the Regent representative appointed to the STC Board. While on the STC Board, he provided valuable knowledge and expertise to the corporation both in his capacity as a Regent as well as an attorney. Regent Doughty seconded his nomination. Regent Lee inquired if Mr. Gallegos has been informed of this nomination, which Regent Koch confirmed he is aware. Regent Koch stated that this addition will be added to the proposed appointments/reappointments to the STC Board for the full Board of Regents' meeting on

Friday. Ms. Kuuttilla stated that they would add Mr. Gene Gallegos' name to the requested appointments/reappointments to the STC.UNM Board of Director List. **Regent Doughty moved to approve the list as amended, with the addition of Mr. Gene Gallegos to the reappointment list of the STC.UNM Board of Directors, and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

9. **Approval of Licensing and License Plate Revenue Sharing Agreement between Athletics and the Alumni Association.** Paul Krebs and Karen Abraham made the presentation. Regents' approval was requested for the licensing and license plate revenue sharing agreement between Athletics and the Alumni Association. Regent Koch stated that the licensing revenue and license plate revenue agreement between Athletics and the Alumni Association was established around the time of Rudy Davalos in 2006. Currently, Athletics splits the licensing revenues 50/50 with the Alumni Association, and the Alumni Association splits the license plate revenues 50/50 with Athletics. The request is to keep 100% of the licensing revenues within the Athletics department and 100% of the license plate revenue within the Alumni Association. Over the past 3 years, the revenues of both the licensing and license plate program have remained fairly equal. Regent Koch brought forward the request so that both Athletics and the Alumni Association can concentrate attention on one revenue source rather than the two.

Paul Krebs stated that historically, Athletics and the Alumni Association have split revenues for the license plate and licensing agreements. Trademark and licensing means any use of the University's marks or logos.

Dr. Abraham stated that the larger concept is splitting the two revenue sources, and agrees that directing them towards the organizations that manage it is best.

Regent Koch, Paul Krebs, and Dr. Karen Abraham will be meeting with the new Alumni Association President, Anne Rhodes, on June 11 to further discuss this agreement and make sure everything is appropriately addressed, and it will be brought forth to the full Board of Regents.

In response to Regent inquiry, the Alumni Letterman Association used to be underneath the Alumni Relations office but was transferred, along with the budget, to the Athletics department to oversee. **Regent Lee moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

10. **Discussion and Possible Approval of Fossil Fuel Investments and Request for Divestment/350.ORG.** Senator Jerry Ortiz Y Pino, Tom Solomon, and Jim McKenzie from 350.ORG made the presentation. Information was provided to the committee regarding divestment from fossil fuels. Mr. Solomon presented several PowerPoint slides with the information. In August 2014, 350.ORG and Senator Ortiz Y Pino met with President Frank and EVP David Harris to discuss the University and its potential divestment from fossil fuels. The meeting was positive and it was recommended that the 350.ORG group meet with the UNM Foundation as well as present to the Board of Regents. In April 2015, Mr. Solomon gave a brief presentation to the Board of Regents

urging UNM to divest from fossil fuels. The meeting was attended by several supporters and a petition was presented, which had been signed by 3,975 faculty, staff, students, and community members.

Divestment is the process of pulling any investments from fossil fuel companies in order to cease profiting from the destruction of the planet and is a tactic to fight climate change. There are currently over 500 divestment campaigns worldwide and UNM's petition is the largest worldwide. In 2013, \$213M was spent on lobbying in the United States and the European Union, with \$160M spent in the US alone. Another \$80M is spent on climate change denial campaigns. Lobbying is to prevent putting a price on carbon emissions, to maintain industry subsidies, and slow the transition to renewable energy sources. UNM should cease investing in these companies. The US leads in worldwide denial of climate change. Public perception of climate change was discussed and despite the data that 97% of scientists agree with the science, nearly 55% are unsettled about the situation.

The scientific data was discussed and Mr. Solomon stated that CO2 levels are higher now than ever before in human history. The warming forecasts are deemed catastrophic. The International Energy Agency (IEA) forecasts that if we stay on our current path of burning fossil fuels, by 2100 we will reach a civilization-ending warming of 6 degree Celsius, or 10.8 degree Fahrenheit. We are currently at 403.12 ppm but if we continue on the same path, we will reach 450 ppm by 2034 which will drive 2.0C warming. Human civilization is under threat. The effects of global warming were discussed and include heat waves, species of extinction, drop in farming yields, rising sea levels, ocean coral reef disintegration, and heavy rainfall/flooding. Mr. Solomon stated that a UK Carbon Tracker Initiative has calculated that in order to keep the world below a 2C warming, the global budget for carbon emissions for the rest of this century is less than 565 gigatons. The Pentagon released a report in March 2014 that listed climate change as a threat multiplier and an immediate risk.

Mr. Solomon stated that based on his review of the report provided by the UNM Foundation regarding divestment he believed that they oppose divestment. Mr. Solomon also believed that they cited a non-peer reviewed in their report which was commissioned by the oil industry. Energy stock performance was briefly discussed and has underperformed in the market the last 5 years. Many warnings have been listed in financial press outlets that warn of financial risk of continued investment in fossil fuels. Returns may be better if portfolios are divested from fossil fuels. Mr. Solomon listed the UNM Foundation's Endowment funds and there are primarily 4 fossil fuel companies that UNM are invested in. Those include Goldman Sachs, Natural Gas L.P., Newlin Energy Partners L.P., and Quantum Resources.

Senator Ortiz Y Pino, Mr. Solomon, and Mr. McKenzie requested that UNM's Endowment to divest from fossil fuels and encourage the CIF Investment Committee to find the best investments that are fossil free. **No action was taken on Action Item 10.**

- 11. CIF Policy Addition Recommendation Regarding Responsible Investment.** Carl Alongi made the presentation. Regents' approval was requested for the CIF policy addition recommendation regarding responsible investment. Mr. Alongi is the Chair of the UNM Foundation (UNMF) Board of Trustees; he is a UNM Alumni, Certified Professional

Accountant, and has lived in Albuquerque for the last 64 years. He has been on the UNMF Board of Trustees for about 8 years and will be rotating off as Chair in June, with Michelle Koons slated to replace him.

The UNMF Board of Trustees began to research the issues involved with responsible investing in 2013 by consulting with investment professionals, attending higher education conferences where the topic was discussed, and by reviewing higher education policies. Board of directors and universities around the world are crafting their responses to the passionately held, often conflicting, requests from groups advocating either divestiture from or investment in cause-related classes of funds or particular companies. In January 2015, the UNM Foundation Board of Trustees established the Investment Process Subcommittee to discuss and review the topic of “responsible investing” to provide a fully informed recommendation to the Investment Committee, UNMF Board of Trustees, and UNM Regents. The work of the subcommittee has been directed to meet the fiduciary obligation to the University, as stated in the UNMF governing documents. That obligation includes a duty of loyalty to act exclusively on behalf of beneficiaries to maximize the returns, as opposed to acting for the UNMF interest or that of third parties. Targeted divestment or investment of the small percentage of institutional funds managed by the UNMF have little impact on issues or individual companies, but may impact the funding available to UNM. The UNMF supports open discussion regarding the merit or detriment of certain investments, but the overall mission is to provide as much support to the University and its students as possible. As fiduciaries, the UNMF conform practices to be consistent with the overall mission of UNM, while being aware of the important role each individual funding source available to UNM plays, including the spending distribution from the CIF.

The first recommendation from the UNMF Board of Trustees was to continue to operate with renewed commitment to the charge of investing and managing the CIF assets for the long-term using a diversified approach with the principle goal of maximizing the return, and thus the benefit to UNM, at a commensurate and acceptable level of risk. Diversification is widely recognized as the basic premise to maximize returns and minimize risk in any portfolio. The sound investment strategies currently in place for the CIF should not be altered or modified in support of causes unrelated the objectives. The CIF’s assets have been given by generous donors and entrusted to the UNMF to manage on behalf of UNM’s mission.

The second recommendation from the UNMF Board of Trustees was if donors recommend gifts be invested in a cause-related way, that the requests be reviewed individually to see if an appropriate endowment investment vehicle outside the CIF can be identified to meet the donor’s concern while insuring that respect for the University’s goals, objectives, and values are maintained.

At the Request of Regent Koch, Mr. Alongi provided background information on the UNMF, which is a separate 501c3 organization. The UNMF has been granted, through an agreement with the Board of Regents, the responsibility to manage and raise funds for UNM. In return for services, the UNMF receives funding from UNM which is a little less than 50% of their overall funding, and an assessment is charged to all units at UNM to provide this critical funding. The UNMF spends approximately \$11M per year to raise

\$80M, which is \$0.13 for every dollar, which they believe is extremely efficient. The UNMF Board is comprised of more than 20 members, of which two are Deans and one is a Regent. Mr. Alongi stated that the UNMF investments are managed by professionals and the consultant is AON Hewitt, which provides financial advice and aids in monitoring and reviewing individual managers or fund managers that are used to manage the portfolio. There is an Investment Committee which is comprised of mostly Trustees.

Senator Ortiz Y Pino asked Mr. Alongi how they define “cause-related” because he doesn’t view divestment from fossil fuels or global warming as a “cause” but as an actual major concern for the entire world.

Mr. Alongi stated that every passionate objective is a cause. If there are individuals who feel strongly about a situation, it is a cause. While there are benefits to divesting as they suggest, it may not be completely practical as cars and electricity that are powered by fossil fuels. Over time things will change and the UNMF is cognoscente to that, the investment portfolio will continue to be managed by smart individuals and investments will change in due course.

Tom Solomon stated that it is increasingly risky to invest in fossil fuels in terms of guaranteeing future returns. Mr. Solomon stated that he strongly disagrees with the recommendation brought forth by the UNMF regarding its investment policy.

Regent Koch stated that he understands the climate issue and that it is prudent for the University to not invest in that but he also understands that the UNMF needs to invest in areas that will obtain the best return for the University. He thanked Senator Ortiz Y Pino, the 350.ORG group, and the UNMF for presenting information to the Committee. Regent Koch suggested that Senator Ortiz Y Pino introduce some legislation that would address the issue of divestment from fossil fuels as that would help send a message to the public institutions throughout New Mexico.

Jim McKenzie commented that he agrees that the NM Legislature should review this extremely important issue, and that 350.ORG has been working with the City Council on related issues. Mr. McKenzie stated that the overall message is for institutions to take critical steps for divestment of fossil fuels. If they wait for others to take up the issue, the issue will not be resolved because climate change and nature does not wait.

Senator Ortiz Y Pino thanked the Committee for the opportunity to present information and stated that he will consider introducing legislation regarding this issue. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

12. **Recommendations for Consent Agenda Items on Full Board of Regents’ Agenda.** Chairman Koch recommended items 4 and 5 to be placed on the full Board of Regents’ consent agenda.

INFORMATION ITEMS:

- 13. Capital Projects Executive Summary Report.** Chris Vallejos made the presentation. A Capital Projects Executive Summary Report was presented to the Committee. There were 17 major capital projects that are currently underway, 2 are in planning, 5 are in programming, 6 are in design, and 4 are in construction. All capital projects are making good progress and none are in yellow or red status.

One project that is continually being inquired about, specifically by the State, is the Chemistry Building because it has 2012 General Obligation Bond funds attached to it. Progress status updates are continually provided to the State and the project is slated to be completed in early 2016, which is well before the reversion date. Mr. Vallejos stated that the project is taking more time because it there are occupants and it is an older building which requires a lot of infrastructure changes.

COMMENTS:

- EVP David Harris provided a report on the NM Legislature Special Session, which took place on June 8, 2015. The Special Session was called to address the Capital Funding Bill. Funding the University received was \$5.3M for the Health Education Domenici 3 Building, \$2M for Farris Engineering and \$700K for the Physics and Astronomy Building. The University's Branch campuses received \$500K and the Zimmerman Library received \$120K of funding. There was also an additional \$60K of funding received for vehicles. A number of Athletics programs and areas received funding including Baseball, Basketball, Soccer, Tennis, Olympic Sports, North Golf Course, golf practice, and funding for overall stadium improvements. The total amount the University received was \$10.5M and EVP Harris' commended the University's contract lobbyists on their hard work for the special session, which was a success.

EXECUTIVE SESSION:

- A. Vote to close the meeting and proceed into executive session.
- 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 threatened or pending litigation, *pursuant to Section 10-15-1 H (7), NMSA (1978)*.
- D. Vote to re-open the meeting.
- 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 Koch moved to adjourn at 12:26 p.m., and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.