

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
February 7, 2014 – Meeting Summary

Committee Members Present: Regent Jamie Koch, Regent Gene Gallegos and Regent Conrad James

Committee Members Absent: none

Non-voting Members Present: Regent Bradley Hosmer

Other Attendees: Chaouki Abdallah, Provost; Dianne Anderson, University Communication & Marketing; Steve Beffort, Lobo Energy; Sandra Begay-Campbell, STC.UNM; Kimberly Bell, University Counsel; Bingham Bright, Information Technologies; Breda Bova, College of Education; Christopher Carian, Capital Projects; Joe Cecchi, School of Engineering; Bruce Cherrin, Purchasing; Mary Clark, PPD UNM Sustainability; Andrew Cullen, Planning, Budget & Analysis; Pamina Deutsch, Policy Office; Maria Dion, Capital Projects; Michael Duran, HR; Debra Fondino, University Services; Robert G. Frank, UNM President; Kathy Guimond, UNMPD; Sara Gurule, Office of the EVP for Administration; David W. Harris, EVP for Administration, COO and CFO; Rick Henrard, Capital Projects; John Kennedy, KPMG; Beverly Klooppel, SHAC; Paul Krebs, Athletics; Lisa Kuuttila, STC.UNM; Ava Lovell, HSC Finance; Lisa Marbury, Institutional Support Services; Cenissa Martinez, Office of the EVP for Administration; Liz Metzger, Controller's Office; Tom Neale, Real Estate; Elaine Phelps, HR; Priscila Poliana, GPSA; Cynthia Reinhart, KPMG; Mallory Reviere, Regents' Office; Isaac Romero, ASUNM; Katharina Sandoval, AIMS; Zachary Sharp, Earth & Planetary Sciences; Jason Strauss, Lobo Energy; Mario Suazo, UNM Taos; Chris Vallejos, Institutional Support Services; Mary Vosevich, Physical Plant; Jewel Washington, HR; Tom Williams, School of Medicine; Jeff Zumwalt, PPD.

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

ACTION ITEMS:

- **Quorum established**
- 1. **Meeting Summary from December 6, 2013.** Regent Gallegos requested a revision to Information Item 9 of the minutes to clarify that the "Los Alamos Science Labs" renovations are on the UNM Los Alamos Branch Campus. The current wording causes confusion with the Los Alamos National Labs. **Regent Gallegos moved to approve with the caveat that the suggested revision be added. Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 2. **Monthly Consolidated Financial Reports and Fiscal Watch Report.** Liz Metzger made the presentation. The Monthly Consolidated Financial Report and the Fiscal Watch Report were presented to the Regents. The Monthly Consolidated Financial report was prepared as

of month end on December 31, 2013. The report reflects a net positive balance of \$6.5 million and there were no anomalies or red flags to report.

Ms. Metzger discussed the differences between the two reports. The Fiscal Watch report is a quarterly report mandated by the Higher Education Department (HED) and requires Regent approval. It includes Plant Funds and all activity on the general ledger, with no modifications to what has posted to the financial system. It also includes beginning balances and an interim balance sheet and cash flow. It does not include any Hospital Financials. The report follows the template required by HED, which is categorized differently than the monthly report. The Monthly Consolidated Financial report is on a semester basis and does not include any pre-registration tuition or fees collected for the upcoming semester. Accruals and adjustments are made to this report and it does include Hospital financials.

In response to Regent inquiry, reconciliation between both reports is done to the dollar to identify all the differences and can be provided to the Regents upon request. Clarification was also provided under the Student Fees Exhibit, Salaries and Benefits line of \$4.2 million is for student salaries for areas such as Student Health and Counseling, Recreation Center, Johnson Gym, and Student Government. A mandatory fee is different than what is referred to as tuition and fees as it is an additional fee required for a specific course or program. Under the Auxiliaries Exhibit, they do not budget revenues over expenses despite historically reporting that. Revenues exceeded expense by roughly \$2 million in the last fiscal year. Parking and Transportation had roughly \$900,000 excess in revenue, and they used some of those funds to meet capital needs for buses and parking lot maintenance. **Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 3. Disposition of Surplus Property for Main Campus on lists dated December 31, 2013 and January 17, 2014.** Bruce Cherrin made the presentation. There are 46 items on the Surplus Property Disposition for December, with many vehicles included, and net book value totals \$35,310.50. There are 5 items on the Surplus Property Disposition for January, none of which have net book value.

Regent Gallegos stated that the Regents have accountability responsibility for Surplus Property. Bruce Cherrin stated that they provide the outcome for all dispositions in their annual report that gets presented to the Regents every year; the annual report tracks everything. Bentley's is the auctioneer, and has been the state auctioneer for public entities for many years. The buyers are the public. Auction of the surplus property is held once a year for all entities.

Deb Fondino stated that \$35,000 is the book value for the items in December, but the University is not expected to get \$35,000 as these vehicles and computer equipment are old and many need extensive and expensive repairs. For the two diesels, they expect roughly \$9,000. The Compressed Natural Gas vehicles are difficult to sell because they have tanks that are renewable every 15 years and cost \$50K to replace. There are thousands of items

on the inventory and they are not recommended to be deleted until they have no further use, are too costly to repair, or of minimal value. **Regent Gallegos moved to approve and Regent James seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

4. Approval of Projects:

- 1) **Architect Selection for Chemistry Building Renovations (Clark Hall).** Chris Vallejos made the presentation. Regents' approval was requested for the architect selection for Chemistry Building renovations on Clark Hall.

Regent Gallegos stated that in the past there have been questions in regard to the process of architect selection. Van Gilbert had the lowest fee offer for this project but was not selected.

Mr. Vallejos stated that there is a two-step selection process which is value based and not always on low bid. The selection is for the best value according to the project. Vigil & Associates was chosen because they brought a sound project management team for this complex project, which is mechanically and electrically challenged. It is a CMAR project because of the challenges and complexities, as well as occupants in the building during renovations. Through the interview process, Vigil & Associates partnered with HDR Consultants to bring value to the table. The difference is about \$61,000. The selection committee, a six person committee, unanimously selected Vigil & Associates.

With regard to scoring, Regent James asked if there is a consistent distribution of attributes scored with regard to experience and cost, and if it changes based on complexity of project. Mr. Vallejos stated that the matrix changes according to the project. All projects are tiered based on their complexity. Steven Beffort stated that in the past UNM followed the 20-30 year old state matrix for architectural selection, which didn't include cost as a factor. The Regents requested that the process be changed to include cost and, with the changes, they were able to better negotiate to keep costs down.

In response to Regent inquiry, Chris Vallejos stated that they negotiated \$1.130 million down to \$1.037 million. They only negotiate with the top firm that is selected based on scoring. They feel that, as professionals, they have negotiated down to its furthest. For some projects, firms come back with change orders to increase the costs because all the complexities were not realized. The goal is to bring the best value to UNM to execute the project. **Regent James moved to approve and Regent Gallegos seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

- 2) **Architect Selection for Taos Campus Student Success Center Addition and Renovations.** Chris Vallejos made the presentation. Regents' approval was requested for the architect selection for the Taos Campus Student Success Center, Padre Hall,

addition and renovations. The recommended firm is Living Design Group Architects (LDG) of Taos, NM. There were four firms that were interviewed and LDG was the firm that scored the highest on the matrix. The fee proposals are \$168,580 for LDG, \$232,172 for NCA Architects, \$159,468 for Vigil & Associates, and \$185,896 for Atkin, Olshin, Schade Architects. It was felt that the experience LDG had in the community of Taos was very strong and they had vast knowledge of Taos buildings.

In response to Regent inquiry, they did not negotiate with LDG because they felt the fee was more than fair and below the state rate, which is the standard. They could however go back and negotiate since the award has not yet been made. Regent Gallegos stated that it seems you would have a practice where you do negotiate or you do not. Rick Henrard stated that they do not want to bid shop, but if the Regents want to set the policy of always negotiating they can do that. Regent James stated that there is a good process in place currently that has accurate metrics based on complexity of project. **Regent Gallegos moved to approve and Regent James seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

3) Capital Project Approval for Zimmerman Combined Service Point Desk, Phase 2.

Chris Vallejos made the presentation. Regents' approval was requested for the Capital Project Approval for Zimmerman Combined Service Point Desk, Phase 2. This project is to create a one-stop service desk on the first floor of Zimmerman Library. The total project budget is \$1.4 million and \$900,000 is coming from fire insurance funds from the 2006 fire. The claim took several years and there have been several stages completed, with this project being the final under the claim. **Regent James moved to approve and Regent Gallegos seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

- 5. Approval of Naming Request for the Basic Medical Science Building (BMSB).** Dr. Breda Bova made the presentation. Regents' approval was requested for the naming request for the Basic Medical Science Building (BMSB) to be named Reginald Heber Fitz Hall after the first Dean of the School of Medicine. Dr. Reginald Fitz III was instrumental in the creation of the School of Medicine in a short amount of time. He raised funds for the construction of the BMSB. The nomination falls under Regents' policy for "Extraordinary University Service." Dr. Bova believes that this information provides great history of the University and should be forwarded to University Archives. There also may be fundraising opportunities for the naming as many senior doctors at UNMH studied under Dean Fitz. **Regent James moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 6. Approval of Lobo Development Corporation Annual Meeting Minutes, and External Audit for FY 12-13.** Chris Vallejos and John Kennedy made the presentation. Regents' approval was requested for the Lobo Development Corporation Annual Meeting Minutes, and External Audit for FY 12-13. This is the Annual Meeting of the Member which requires approval of the minutes and audit. For the audit conducted by KPMG, there were

no audit adjustments and only one finding in regards to journal entries which were corrected. Lobo Development currently has 3 employees and a number of management contracts. The contract with Altura Real Estate is for Fairmount and will be phased out. **Regent Gallegos moved to approve and Regent James seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

7. **Approval of Lobo Energy, Inc. Annual Meeting Minutes, External Audit for FY12-13** Steve Beffort and John Kennedy made the presentation. Regents' approval was requested for the Lobo Energy, Inc. Annual Meeting Minutes, External Audit for FY 12-13. Lobo Energy also has an Annual Meeting of the Member requiring approval of the minutes and audit. There were no significant issues with the audit; there were two minor audit adjustments. **Regent Gallegos moved to approve and Regent James seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

- 1) **Installation of Second Cogeneration Unit.** Jeff Zumwalt made the presentation. Information was provided to the Regents on the installation of the second Cogeneration Unit. This equipment allows UNM to generate electricity more efficiently. The project has recently been completed and ahead of schedule despite earlier problems with the original unit that needed to be replaced. This equipment saves the University \$110,000 per month. During performance testing it was discovered that the turbine is more efficient than the specification. The numbers were updated in the proforma, which increased the net value of the project by \$1.2 million. This unit produces a third of the campus electricity.

- 2) **Energy Conservation Program Update.** Jason Strauss made the presentation. An update was provided to the Regents on the Energy Conservation Program. This was the sixth performance year for energy conservation. There was 24.2% avoided energy use at the sixth year and at accumulative of 19.5% from the beginning of the program which started in May 2008. The avoided cost matrix to date puts UNM at a gross avoided cost of \$27 million, and net avoided cost of \$16 million for the entire program.

8. **Approval of STC.UNM Annual Report to the Board of Regents of the University of New Mexico and Audit Report.** Lisa Kuuttila, Sandra Begay-Campbell, and John Kennedy made the presentation. Regents' approval was requested for the STC.UNM Annual Report to the Board of Regents and Audit Report. The audit resulted in an unmodified opinion with no audit adjustments identified and no internal control deficiencies. **Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

The STC Annual Report was presented and highlighted the Board members. Ms. Sandra Begay-Campbell is the Board Chair. The metrics were discussed which include disclosures,

new U.S. patent applications filed, issued U.S. patents, option/license agreements, start-up companies, patent expenses, license income, patent cost reimbursement income, and combined license income and patent cost reimbursement income. In FY2013 there were 138 disclosures which was 120% of the goal, there were 63 option/license agreements which was 210% of the goal, there were 9 start-up companies which was 180% of the goal. Joint Invention Disclosures with UNM and Sandia National Labs were discussed and have a substantial portfolio. There were 13 new inventions with the collaboration in FY2013. One prolific inventor, Plamen Atanassov, disclosed 21 total new inventions in FY2013 and will be honored by STC at the Innovation Awards in April 2014. There were 9 new start-up companies that were formed in 2013 and 7 of them are located in New Mexico. UNM ranks highly among peer institutions in the formation of new start-up companies and retains many in the state. Ms. Kuuttila read a quote from an inventor that compared UNM to MIT in terms of STC's better service to entrepreneurs. STC filed patent applications on 109 of the 136 patent disclosures in FY2013 and generated \$370,058 of new license income. There were several terminated license agreements which affected some revenues. Assertion license income came to an end in 2013. A rolling three-year forecast was discussed, which has been fairly accurate. **Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

9. Endorsement of Proposed Budget and Fees Policy Recommendations:

- 1) Option of guaranteed constant (flat) tuition and fees.** Regent Hosmer made the presentation. Regents' approval was requested for the option of guaranteed constant (flat) tuition and fees. This will provide all students the option of guaranteed flat tuition for the nominal period of their degree program, or 8 semesters. A surcharge may be required for this option. Both the student and UNM will sign a document that records the commitment and a best effort to complete the degree in the nominal time. If the student does not complete the degree in the nominal time, tuition and fees charged for future classes will revert to the amount charged all other students at the point. Regent Hosmer stated that the benefit for this option is that students will have certainty as to what their tuition will be and would represent an inducement to conclude an academic program in the time specified. **Regent James moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 2) Role of the student fee review board and student fees in the UNM budget presentations.** Regent Hosmer made the presentation. Regents' approval was requested for the role of the student fee review board and student fees in the UNM budget presentations. The proposal on student fees endorses the current policy as it is written, although not always practiced. The request is that when the budget is presented to the Board of Regents, any item to which student fees contribute be presented by the University and not from the students. If the Regents determine that an adjustment to those numbers is appropriate, it is up to the University to decide how that increase is portioned between student fees and University funding. The Library is

an example of a unit that is funded with both University funding and student fees. This resolution will also state that it be certain that whatever decisions the SFRB makes about items which are student funded only, such as student government, that they are not touched and that their recommendation stands and flows into the budget appropriately.

In response to Regent inquiry regarding the effect on Athletic fees, Regent Hosmer stated that they would hear from the University their recommendation for Athletics fees. When the University brings the budget forward, it would show the funding stream coming from both University funds and student fees into the Athletics stream. If the Regents decided to adjust that, it is then up to the University to determine how that adjustment is applied towards University funding and student fees.

Priscila Poliana stated that she believes what Regent Hosmer is proposing is what has been happening. She does believe that Policy 1310 needs to be ratified, and she believes the decisions made by SFRB have historically been accepted with very few differences. Student Government understands the process and is fully aware of it.

Regent Gallegos stated that there may be some misunderstanding because procedure has been different from the policy. The only jurisdiction, as far as the SFRB is concerned, will be the matters that are student activities and student government. For entities such as Athletics and Libraries, the SFRB is not to be involved. The administration will recommend to the Regents the funding, whether it be from I&G or student fees, it is to be clear that it is understood what the intent and the result in this proposal is.

Isaac Romero stated that the SFRB makes recommendations on all of the student activity fees including Athletics, Libraries, IT, and SHAC. The SFRB recommendation goes to the SBLT, to the President, and the finally the SBLT presents the recommendations to the Regents. That is the process and how it has been.

EVP Harris stated that Regents Hosmer's intent is to clarify that it is the President's responsibility to bring recommendations forward to the Regents.

Regent Gallegos and Regent James expressed confusion with the proposal as there is ambiguity in what the proposal is trying to accomplish. It was originally thought that it was going to reinsure University Administrative Policy 1310 and Regent's Policy 4.7 that gave the Student Fee Review Board only the ability to make recommendations on student activities and student government, not for Libraries and Athletics.

Regent Koch stated that the SFRB review process is rigorous and some areas should not be under the SFRB for budget recommendations.

Beverly Kloeppe from Student Health & Counseling stated that she is supportive of the SFRB review process, and that getting feedback from students is important and necessary to keep departments and organizations accountable.

Regent Hosmer stated that there is unintended ambiguity in the language of the proposal and did not involve the policy of authority by the SFRB.

President Frank stated that this may be a policy issue because there seems to be a source of contention and disappointment around this every year if the SFRB recommendation is not fully accepted. The students put in a vast amount of hours and energy in crafting these recommendations. The process is disproportionate to the SFRB's ability to influence. There needs to be a review of the current policies and good discussions between the Administration and Student Government. It was also recommended that Elsa Cole from University Counsel review the current policies. The President and the student leaders will review this issue and bring back a new proposal to F&F committee next month.

- 3) Development of a planning budget for the future.** Regent Hosmer made the presentation. Regents' approval was requested for the development of a planning budget for the future. The proposal is for the budget process to bring forward a planning budget, along with the actual proposed operating budget for the next year and all future years. The concept for the planning budget is that it would lay out the major expenditure lines for four years into the future. It does not presume anything about income, but it does give the University an opportunity to demonstrate how and where it plans to fund initiatives and commitments. Tradeoffs and priorities become clear, and the planning budget becomes a mark, not a commitment as it can be changed/revised year to year. It is a statement of intent regarding the future, which can be of great value to different entities within the University. In addition, there will be an incremental budget proposal that does not speak to a specific amount, but gives the opportunity to show how it would spend any increments in funding. It allows for the University to present a strong case to make for augmented income by showing how the funds would be spent. The four-year planning budget will be an expenditure budget only, and aid the administration in aligning the priorities of the University.

Regent Gallegos embraces the concept; however, the only issue is with the timing of the sequence. Since it is a planning budget, he believes it could come earlier in the process and does not need to be tied to the regular budget process. EVP Harris agrees that there is value in a planning budget, and that it would be useful to identify these budget items so that the Regents are aware of certain initiatives.

Regent Hosmer revised the proposal to read, as part of the development of the annual operating budget for each year, the administration should develop and propose a four-year planning budget that leaves up to the administration timing for bringing forward. **Regent Gallegos moved to approve and Regent James seconded. The motion**

passed by unanimous vote with a quorum of committee members present and voting.

- 10. Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairman Koch recommended items 3, 4, 6 and 7 to be placed on the full Board of Regents' consent agenda.

INFORMATION ITEMS:

- 11. AIMS (Albuquerque Institute for Mathematics and Science) West Side Needs Assessment and Acknowledgement of the Budget Proposal.** Katharina Sandoval made the presentation. Information was provided to the Regents on the Albuquerque Institute for Mathematics and Science (AIMS) West Side campus budget proposal. Ms. Sandoval highlighted the successes of AIMS. A \$175,000 Daniel's Grant was received to replicate the success program. In addition, capital funds available for the building and rent would be paid. The consideration is for the possibility of replicating AIMS at UNM West. Ms. Sandoval needs to begin operation by August 2014 in order to keep the funding. An agreement with the state has been made and paperwork has been completed. Dr. Wynn Goering is impressed with AIMS success and would like to work with Ms. Sandoval to find a sustainable partnership that fits the needs of both institutions. A recommendation will be presented to the Academic/Student Affairs & Research and F&F Committees in one month.
- 12. Semi-Annual Detailed Financial Report ending December 2013.** Ava Lovell made the presentation. Information was provided on the Semi-Annual Detailed Health Sciences Center (HSC) Financial Report ending December 31, 2013. A high level review of metrics for the Health Sciences Center was discussed and detailed the overall financial health of the HSC.
- 13. Contract Information:**
 - 1) Western States Fire Protection/ Advanced Materials Lab – Real Estate (Science & Technology Park).** Bruce Cherrin and Tom Neale made the presentation. Information was provided on the Western States Fire Protection/ Advanced Materials Lab, Real Estate contract to upgrade the sprinkler system at Science & Technology Park for the occupant Sandia National Laboratories.
 - 2) Thermo Electron North America LLC – Earth & Planetary Sciences.** Bruce Cherrin and Zachary Sharp made the presentation. Information was provided on the Thermo Electron North America LLC, Earth & Planetary Sciences contract. A Stabilized Isotope Mass Spectrometer was purchased from Western States Contracts Association for the UNM Center for Stable Isotopes to conduct analysis of various materials.
- 14. Information on UNM Baseball Clubhouse.** Paul Krebs and Tom Neale made the presentation. Information was provided on the UNM Baseball Clubhouse. A location has

been identified for the project. The Grady Family and the Hubbard Family have both made a donation pledge for the project, but the funds will be donated over the course of five years. Tom Neale expressed the difficulty Real Estate and Athletics is facing in determining the best way to proceed with financing the project. The Regents and EVP Harris recommended that they go through Lobo Development for this project.

COMMENTS:

None

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

Regent Gallegos moved to adjourn at 12:07 p.m., and Regent James seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.