

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
August 5, 2014 – Meeting Summary

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

Committee Members Absent: none

Non-voting Members Present: none

Other Attendees: Chaouki Abdallah, Provost; Dianne Anderson, University Communication & Marketing; Audra Bellmore, Historic Preservation Committee; Leslie Boni, Anderson School of Management; Joe Checci, UNM Engineering; Bruce Cherrin, Purchasing; Amy Coburn, Lobo Development; Andrew Cullen, Planning, Budget & Analysis; Renee Delgado-Riley, Staff Council; Pamina Deutsch, Policy Office; Debra Fondino, University Services; Robert G. Frank, UNM President; Bob Goodman, Sandia Foundation; Sara Gurule, Office of the EVP for Administration; David W. Harris, EVP for Administration, COO and CFO; Rick Henrard, Capital Projects; Richard Holder, Faculty Senate; Jason Hughes, First Southwest; Kathy Jacques, Planning, Budget & Analysis; Steve Kane, Moss Adams; John Kennedy, KPMG; 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; Chris Muirhead, Modrall Sperling; Matt Munoz, Government Relations; Tom Neale, Real Estate; Adrian Oglesby, Utton Center; Manu Patel, Internal Audit; Michael Reid, Capital Projects; Bonnie Reifsteck, Policy Office; Cynthia Reinhart, KPMG; Mallory Reviere, Regents' Office; Sharon Rodgers, Capital Projects; Melanie Sparks, Institutional Support Services; Rob Terscher, COSMIAC; Chris Vallejos, Institutional Support Services; Aparna Venkateswarn, Moss Adams; Mary Vosevich, Physical Plant; Jewel Washington, HR; Fran Wilkinson, University Libraries.

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 June 10, 2014. Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 2. **Disposition of Surplus Property for Main Campus on List Dated June 30, 2014. Bruce Cherrin made the presentation. There are 8 items on the Surplus Property Disposition for June and one item, work bench from the Animal Resource Facility, has a net book value of \$100.98. 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.**

3. Approval of Capital Projects:

- 1) **Hokona Restroom Renovation.** Chris Vallejos made the presentation. Regents' approval was requested for the Hokona Restroom renovations. This project will renovate the men's and women's restrooms in Hokona Hall, which is 1,388 square feet and will address several ADA and code compliance issues. Currently, there are not enough stalls which lead to lengthy wait times. Both the men's and women's restrooms will receive new plumbing fixtures, partitions, and hand dryers. All students and families going through New Student Orientation view this hall and it would be a great project to showcase the University to prospective students. The total estimated project budget is \$397,804 which will be funded through the Resident Life and Student Housing reserve. In response to Regent inquiry, the project will go before the Higher Education Department in September and will begin construction as soon as it is granted approval. Restrooms will begin demolition while students are present but they will have access to restrooms on an upper floor. **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) **Addition to Popejoy's Donors' Lounge.** Chris Vallejos made the presentation. Regents' approval was requested for the addition to the Donor's Lounge at Popejoy Hall. This project will expand the Donors' Lounge and add an additional 688 square feet of space in the Center of Arts Building. The addition will be built of steel structure and concrete slab on engineered fill and include new store front window walls to the North, East, and South. The proposed addition to the Popejoy's Donors' Lounge will provide much needed space and will enable Popejoy to further expand its lounge membership program, which currently contributes \$463K to Popejoy's annual budget. The estimated cost of the project is \$500K funded by donor Popejoy Development Funds. There was one donation of \$300K from one donor and an additional \$200K from other donors. In response to Regent inquiry, cost per square foot is around \$700 with \$300K total for construction and \$200K for design and architecture. **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.**

- 3) **UNM West Solar Power System.** Chris Vallejos made the presentation. Regents' approval was requested for the UNM West Solar Power System project. This project will install 113 kW of solar photovoltaic panels on the roof of the existing UNM West building. Rio Grande Solar is the contractor and is contributing \$232,500 of matching funding towards the project and Lobo Energy will fund \$232,500 for total project cost of \$465K. A benefit of this project includes the creation of 200kWh per year, which is 71% of the total building consumption of electricity, which represents a savings of \$24,400 per year. The facility will also qualify for an exemption from PNM's Renewable Energy Rider fees which will also result in a savings of \$550K. Mary Vosevich discussed the changes to the Renewable Energy Act, which now allows for the University to fund its own renewable energy projects rather than paying PNM 2.5% per year for utility bills. This is the third project with Rio Grande Solar who was the successful bidder and donated \$500K in matching funds towards renewable energy projects at UNM. **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 Re-appointment to Lobo Energy, Inc. Board of Directors.** David Harris made the presentation. Regents' approval was requested for the re-appointment of Mr. Jon Word to the Lobo Energy, Inc. Board of Directors. Mr. Word has expressed interest in continuing to serve on the Board and EVP Harris stated that he has been a great member of the Board for several years. **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.**

5. **Possible Reconsideration of Capital Project for Castetter Hall Biology Phase 3.** Chris Vallejos, Mary Vosevich, and Audra Bellmore made the presentation. Regents' approval was requested for the possible reconsideration of capital project for Castetter Hall, Biology, Phase 3. Regent Koch referred to the minutes of the Finance and Facilities Committee meeting in September 2013 regarding the Biology building, phase 3 for a capital approval. Regent Koch stated that he was unaware last year that the main building was going to be torn down. There was no indication that the John Gaw Meem building was going to be demolished to his knowledge, he was unable to find anything regarding demolition. Regent Koch asked if the building was going to be razed with nothing to be built in its place. Mr. Vallejos confirmed and stated that the decision to raze the building also went to the Historic Preservation Committee and was voted in favor 4 to 2 to tear down the building. Ms. Bellmore, Chair of the Historic Preservation Committee, voted in opposition to tear the building down.

Regent Koch has a great deal of interest in John Gaw Meem and what concerned him was that the committee was not aware that the building was going to be demolished. Regent Koch inquired as to why the building is set for demolition. Mr. Vallejos stated that they took it to the Historical Preservation Committee and they do a cost analysis on the costs to maintain the building. They have 3 levels of John Gaw Meem buildings, level 1 through 3, the Biology building is classified as level 3 so the scrutiny as we go through those levels will be greater and greater as we go up the levels. A lot of thinking goes behind the tearing down of a John Gaw Meem building.

Mary Vosevich discussed operational expenses of maintaining the Biology Annex Building. The size of the building is 8,600 square feet and costs roughly \$50K to maintain and that does not include water, trash, and sewage. The utility costs for the building are \$38K per year, with a majority of it for electricity. It is more than historically we have received for utility funding in that building so it is an expensive building to maintain for the smaller size that it is. When we are dealing with constrained resources for facilities here on campus, to manage a smaller footprint with the cost of it is very challenging and problematic. There is an extraordinary inventory of John Gaw Meem buildings that still remain on campus.

Audra Bellmore stated that she is a John Gaw Meem curator. Meem's firm designed all of the buildings on the UNM campus from 1933 through 1959. This building is the original pharmacy building designed in 1948 by Meem's firm and was the first post-war building constructed on campus. It is in Spanish Pueblo Revival style. UNM has the largest cluster

of Meem buildings in the state. In 1905 President George Tate began the Pueblo Revival at UNM and predates the Pueblo revival in Santa Fe and Taos. UNM is a special campus and there is much respect for Meem buildings. Ms. Bellmore read a quote from David Cammer, Historian and previous State Preservation Officer, that referred to UNM being one of the few architecturally distinct campuses in the nation. Ms. Bellmore stated that funds for demolition were encumbered during the appropriation for Castetter Hall. The Biology Annex site was not needed for Castetter Hall. Ms. Bellmore stated that the Historic Preservation Committee may have been under some political pressure regarding the vote for demolition as they were told demolition was imminent. Ms. Bellmore stated that in regards to the Biology Annex, they are hoping for reconsideration of demolition especially because there are no current plans for the site. It could be possible to use this building as an adaptive reuse for another department.

Ms. Vosevich stated that to do upgrades to the building would cost roughly \$300 per square foot. The infrastructure in the building is inadequate and needs to be renovated.

Regent Koch stated that the committee has not looked at numbers to see how much it costs to renovate. It is very easy to tear the building down but not easy to put the building back. It concerns him that they will tear the building down but not put anything in its place.

Mr. Vallejos stated that the Master Plan calls for an academic building on the site as it is the academic quadrant.

Ms. Vosevich stated that the campus is land locked with little room for growth. This building was constructed as a science building and costs a lot more per square foot to maintain. In response to Regent inquiry, there are some offices and labs with around 3 to 4 professors which may be poorly utilized space. There are very little grant funds for historic preservation of buildings.

Regent Gallegos would like for the committee to see the building and get a better understanding of the building.

President Frank stated that they need to look at the John Gaw Meem buildings, and decide which are critical to the mission of the University and which are not. Renovating this building would be very costly.

Regent Koch stated that part of the concern is that there is no stated use for the space. The demolition costs would be covered under the original capital project budget.

Regent Gallegos suggested to table action so that the committee has an opportunity to physically visit the premises and become better informed to make a decision. **Regent Gallegos moved to table action item 5 for reconsideration and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

6. ~~Approval of Naming Request for the UNM Cancer Research & Treatment Center.~~
Item was removed from the agenda.

7. **Approval of Revised Capital Outlay Submission to the NM Higher Education Department.** Andrew Cullen made the presentation. Regents' approval was requested for the revised Capital Outlay submission to the NM Higher Education Department. The original submission that was presented in June contained incorrect amounts on the Gallup, Taos, and Valencia Branch Campus requests. The request for the Gallup Branch was revised from \$1.82 million to \$1.5 million for the Physical Plant Building. The request for the Taos Branch was revised from \$1.305 million to \$2.175 million for the Stem Technical Center, Phase II. The request for the Valencia Branch was revised from \$1.5 million to \$1.95 million for the Chilled Water System upgrades. The revised request includes a net increase of about \$900K. In response to Regent inquiry, \$66 million is coming from UNM Bonds. Large facilities with high price tags such as the Anderson School of Management Building and the Interdisciplinary Science Building would likely not get completely funded through the Legislative Session.

In response to Regent inquiry regarding the University's bond capacity, Mr. Cullen stated that Moody's did affirm the University's rating but did have concern with the University's performance in 2013. Performance has increased in FY2014 and will be reviewed on year end statements. **Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

8. **Approval of Potential Refunding of the UNM Series 2003A, 2003B, and 2003C (taxable) Issues and Advanced Refunding of UNM Series 2005.** Andrew Cullen and Jason Hughes made the presentation. Requesting Regents' approval of the potential refunding of the UNM Series 2003A, 2003B, and 2003C (taxable) issues and advanced refunding of the UNM Series 2005. Refunding opportunities are constantly being reviewed. Interest rates have remained historically low for several years and refunding opportunities on many of the University's bonds have not met the financial threshold of present value savings of 3%. The UNM Series 2003 and Series 2005 bonds have call dates of June 1, 2013 and June 1, 2015, current market rates indicate that savings for the industry threshold will be met and it would be beneficial to refund these bond issues. Mr. Hughes reviewed the summary of potential savings, which is 7.5% on Series 2003 bonds and 4.5% on Series 2005. With Regent approval, it would then go forward for approval from the Higher Education Department and the State Board of Finance. **Regent James moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
9. **Approval of Funding Requests for Research and Public Service Projects, Submission to the NM Higher Education Department.** Mathew Munoz made the presentation. Requesting Regents' approval of the funding requests for the Research and Public Service Projects, submission to the NM Higher Education Department. Mr. Munoz discussed the FY16 Legislative priorities for the Research and Public Service Projects, which include the non-recurring requests of the Degree Plans, Brain Safe Program. Recurring new and the recurring expansion requests include VentureSpace, Design Planning Assistance Community Collaborative, Utton Transboundary Resource Center/Ombudsman, Family Development, Student Mentoring Programs (College Prep Mentoring/Mentoring Institute). FY2016 non-priority requests include the Manufacturing Engineering Program, Southwest Indian Law Clinic, Spanish Resource Center, Charlie Morrissey Research Hall, Pre-College

Science and Math Program. **Regent James moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

10. **Approval of Amended Bylaws of the UNM Lobo Club.** Paul Krebs, Lee DeLeon, and Anndee Wright Brown made the presentation. Requesting Regents' approval of the amended bylaws of the UNM Lobo Club. Over the years, the bylaws of the Lobo Club became outdated with changes in operating procedures within Athletics and the formation of the Foundation. Under Ms. Brown's leadership, the bylaws were updated to include term limits, reference to the Foundation, and University policies. The Lobo Club bylaws had been revised in 1993 and also in the 2000s. These current revisions were made to align the bylaws with the processes and interactions with the Lobo Club, Athletic Department, UNM, and the Foundation. Robert Desiderio from the School of Law assisted in the process and the new bylaws have been approved by the Lobo Club membership. In response to Regent inquiry, the current working size of the Lobo Club Board is 50. However, with the revisions to the bylaws the Executive Board, which consists of 8 members, will have the main governance. **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.**
11. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairman Koch recommended items 2, 3, 4, and 10 to be placed on the full Board of Regents' consent agenda.

INFORMATION ITEMS:

12. **UNM Regents' Endowment Fund Portfolio 4th Quarter, FY14.** Leslie Boni made the presentation. Information was provided on the UNM Regents' Endowment Fund Portfolio for 4th Quarter of FY14. It remains a good time to be in the stock market with the return at 24%, as was the benchmark, for the portfolio year. The students continue to do well and enjoy the course.
13. **FY14 Audit Status Update.** Liz Metzger made the presentation. Information was provided on the FY14 Audit Status. John Kennedy, Cynthia Reinhart from KPMG, and Aparna Venkateswarn from Moss Adams were in attendance and provided a short overview to the committee on the current status of the FY14 Audit. KPMG is responsible for the Main Campus and Non-Clinical Component Units. Moss Adams is responsible for Clinical Operations. Planning and interim test work was completed in May and June. KPMG will enter final fieldwork between July 28 and August 9. Moss Adams will enter final fieldwork between August 4 and August 11. Component unit and clinical operations financial statements are anticipated to be delivered to the University by September 15.

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 James moved to adjourn at 10:40 a.m., and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.