

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
June 7, 2013 – 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; Breda Bova, President's Office; Bill Brown, UNMH Union District 1199 NM; Monica Candelaria, Parking; Bruce Cherrin, Purchasing; Richard Cripps, Biology; Andrew Cullen, Planning, Budget & Analysis; Pamina Deutsch, Policy Office; Maria Dion, Capital Projects; Bob Doran, University Architect; Rachel Felix, Office of the EVP for Administration; Bob Fondino, HSC; Debra Fondino, University Services; Robert G. Frank, UNM President; Gil Gonzales, CIO; Kathy Guimond, UNMPD; David W. Harris, EVP for Administration, COO and CFO; Gene Henley, Staff Council; Tim Johnson, IT; Paul Krebs, Athletics; Ava Lovell, Finance; Lisa Marbury, Institutional Support Services; Cenissa Martinez, Office of the EVP for Administration; Steve McKernan, UNMH; Liz Metzger, Controller's Office; Rob Miller, Biology; Tom Neale, Real Estate; Amy Neel, Faculty Senate; Manu Patel, Internal Audit; Marc Saavedra, Government & Community Relations; Chris Vallejos, Institutional Support Services; Mary Vosevich, Physical Plant; Jewel Washington, HR; Ellen Wenzel, Regents' Office;

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 May 3, 2013. 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. **Monthly Consolidated Financial Reports.** Liz Metzger and Ava Lovell made the presentation. The net result of current operations for HSC clinical and main campus is \$6.6 million. Some areas have budgeted use of reserve balance, so future reports will start to show spending of those balances. The budgets are now the revised budgets that were approved at last Board of Regents; the budget adjustment has been reflected. The June reports will reflect the preliminary year-end balances and will be reported at the next meeting because there is not a meeting in July. Overall, the I&G budget is within budget but will go down substantially as booked tuition is spent down. The Los Alamos and Gallup branch campuses have booked tuition below budget due to low enrollment. In response to Regent inquiry, summer enrollment numbers will appear in the June report.

Negotiations are in progress for the next F&A rate, and the goal is to maintain the rate of 51-54%, which should be finalized this month. For main campus, there is not anything alarming for the financial report.

Through the month of April, the HSC academic operations is at \$1.9 million use of balance versus the revised budget of almost \$10 million, the favorable amounts are coming from Nursing, Pharmacy, Library, Research and Administration. The School of Medicine is right on budget, where almost all one-time items (i.e. chair packages and research startup) are spent as well, which is about \$5 million, so the rest of the operations are much more favorable. In response to Regent inquiry, a prior year comparison will be provided indicating the activity for the reported month versus the previous year. In response to Regent inquiry, the Chancellor's taxes include the regular Deans' tax of 5%, and another 1.5% for the recession. In response to Regent inquiry, the hospital's capital initiative fund is a completely separate fund that does not result from the Deans' or Chancellors' tax. Any one-time revenue (i.e., stimulus funds) is moved into capital. In response to the Regent inquiry, the hospital's capital initiative fund is funded by one-time money to be used for buildings such as the 1650 University project, which is also funded by the UNMH capital initiative fund. Regent Gallegos requested the balance of the UNMH and HSC capital initiative fund account and the Chancellor's initiative fund. In response to Regent inquiry, the Chancellor's initiative fund is comprised of one-time funds that are swept in from vacancy savings from administrative units and any leftover funds from the Deans' tax. In response to Regent inquiry, EVP David Harris and Provost Chaouki Abdallah stated that this taxing method, the "sweeping of balances" leftover for an initiative is not an unusual University practice. Regent Gallegos stated he would look forward to HSC presenting a complete financial picture to be presented at a future F&F meeting. In response to Regent inquiry, reports for the year ending June 30, 2013 will be available at the September 2013 meeting. In response to Regent inquiry, UNM Medical Group has a signed letter from the IRS stating their eligibility for an exemption from filing a Form-990. Regent Gallegos requested prior year financial information for the UNMMG. In response to Regent inquiry, the mil levy for Bernalillo County will be placed on the ballot in November 2016, and the current amount does not go into effect until 2018. In response to Regent inquiry, there is currently a campaign that includes surveying for the public election. In response to a survey issued three months ago, 60% of those polled were in favor of the mil levy and the 96-bed hospital. Regent Koch requested more detailed information on the campaign. In response to Regent inquiry, President Frank stated that the poll issue has been addressed and intertwined with the work of consultant, Steve Sloat, regarding risk assessment. The polling has been slowed until a risk assessment model is developed, and when that is completed, a clear budget situation can be determined for 2017 or 2018. The "if-then" scenarios will be provided with the information available for the polls. Steve McKernan stated the campaign should not move forward until the future budget scenarios are clear.

- 3. Disposition of Surplus Property for Main Campus on list dated May 17, 2013. Bruce Cherrin made the presentation. 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. Contract Approvals:

1) UNM Mailing Systems – Pitney Bowes. Bruce Cherrin made the presentation. Regents' approval was requested for an annual contract that provides postal loading meters. Expenditures are between \$500,000 to \$600,000 per year. In response to Regent inquiry, the expense for mail postage has decreased slowly in the past few years as a result of electronic communication. **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. Approval of Renewal of Maui HPCC Lease. Tom Neale made the presentation. This is the annual renewal of the Maui sub-lease with the University of Hawaii Research Corporation. The University of New Mexico controls the lease hold interest of the 31,141 sq. ft. facility on 2.6 acres located in Maui, Hawaii. This action item includes approval to enter into the 3rd amendment for the sub-lease. In response to Regent inquiry, if the lease does not renew, UNM loses the lease-hold and the purchase option in the property. This will continue as long as the University of Hawaii controls the property. Because of sequestration, the Air Force Research Labs has not awarded contract or funded the lease for the University of Hawaii. If there is not a signed 2nd amendment for the lease by the end of May, the lease will be terminated so that the University does not have rental obligation to the Bank of New York. If the University of New Mexico does not renew, the lease is terminated and UNM loses the lease-hold in the property. The annual rental payments are approximately \$1 million. The University of Hawaii has provided their intent to renew the lease, but they have not secured the funding. The approval includes a request to sub-lease to the University of Hawaii in the event that they secure funding from the Air Force Research Labs. **Regent Gallegos moved to approve, Regent James seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

6. Approval of Lease of Real Property – City of Albuquerque Fire Station No. 3 141 Girard Boulevard NE. Tom Neale made the presentation. Regents' approval was requested to extend the lease for Albuquerque Fire Station No. 3 141 on Girard Blvd. NE. The fire station provides critical emergency response services for the University of New Mexico. A provision has been included that will improve aesthetics of the fence that encloses the property. The fire department and the city have agreed to meet standards set by the University Architect. **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:

1) Architect Selection for Caster Hall Phase 3. Andrew Cullen made the presentation. Regents' approval was requested to hire the recommended firm, Fanning Bard Tatum, to complete the Caster Hall Phase 3 project. Total project funding is \$3.85 million, with \$3 million funded from 2012 GO Bonds and \$850,000 from 2013 Severance Tax Bonds. The project will complete approximately 12,000 sq. ft. of

existing shell space (Phase 3) that will be used for new research labs, office and support space. Phase 3 also includes expansion of electrical power systems and demolition of the existing biology annex. The existing biology annex property will be vacated and the occupants will move to the new Phase 3 spaces. Fanning Bard Tatum completed Phases 1 and 2. They are best qualified to follow through with the project. In response to Regent inquiry, Biology is the only department that occupies Castetter Hall. **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.**

- 2) **Architect Selection for Science and Mathematics Learning Center (SMLC) Phase 2.** Andrew Cullen made the presentation. Regents' approval was requested for recommended firm, Van Gilbert, to complete Phase 2 of the SMLC. This firm completed Phase 1, which included the design of the entire facility. The program that will be housed within this building was part of the original plan for the SMLC. The SMLC was constructed in 2009-2010, when construction costs were favorable, but the costs kept escalating to where the University priced itself out of this critical component of Phase 2. Phase 2 includes an additional 15,000 sq. ft. of space for teaching labs, offices, and mechanical space. Project funding is \$5 million from Severance Tax Bonds. **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.**

8. ~~Approval of Resolution to Reallocate UNM 2007 Bond Proceeds.~~ Chairman Koch deferred this item to the next Executive Session at the Full Board of Regents' meeting.

9. **Approval Capital Outlay Submission to the Higher Education Department.** Marc Saavedra made the presentation. Regents' approval was requested for the Capital Projects Outlay listing of projects that are approved and required by the Higher Education Department. Most of the projects listed are part of the master plan and have been on the legislative request for several years. Ferris Engineering is currently the number-one priority for \$22.9 million. Other projects include the Physics & Astronomy building for \$40 million, Anderson School of Management for \$38 million, Health Education Building Phase 3 for \$29.8 million, Autism Center for \$25.7 million, the School of Public Health for \$29.2 million, and various projects regarding infrastructure, athletics and branch campuses for a list total of \$212 million in capital projects requests. In response to Regent inquiry, total statewide funding capacity was \$290 million, and the bond capacity for higher education was \$180 million. The governor did not want to raise property tax and so the higher education capacity decreased to \$119 million. In response to Regent inquiry, UNM should try to get 32% of the G.O. bond based on square footage, the plan for teaching facilities and student enrollment. In spite of the roadblocks it is predicted that UNM and NM State will gain state support this year. EVP David Harris stated that the University needs to have a balanced approach in presenting the overall need to the legislature. It is unrealistic to aim for funding of all the projects listed and priorities should be identified with a "wish list" of projects ranked by need and also a plan for securing alternative funding. Top priorities were recommended for the following projects in the order listed: Ferris Engineering for

\$22.9 million, Physics and Astronomy for \$4-5 million, and the Health Education Building at HSC for \$29.8 million. **Regent Gallegos moved to approve with the caveat that submittal list be revised to identify the 3 top realistic funding priorities, including a “wish list” as discussed. Regent James seconded. The motion passed as a non-consent item 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, 7(1) and 7(2) to be placed on the full Board of Regents’ consent agenda.

INFORMATION ITEMS:

11. Contract Information:

- 1) **Information Technologies – Advanced Presentation Systems.** Bruce Cherrin and Gil Gonzales made the presentation.
- 2) **Parking and Transportation – Cooperative Educational Services.** Chris Vallejos made the presentation

12. **Monthly Capital Projects Status Report.** Ava Lovell made the presentation.

13. **UNM Debt Portfolio Overview & Bond Refunding Analysis.** Andrew Cullen made the presentation.

COMMENTS:

Bill Brown, a UNMH union member representative, expressed concerns regarding the 57 transcriptionists that were laid off at UNMH and their jobs outsourced. He explained the local economic impact of outsourcing these transcriptionists’ jobs out-of-state. Mr. Brown’s other concern is that UNMH stated there will be no employee wage increases this year because wage increases were not budgeted. Regent Koch informed Mr. Brown about the process for presenting the issue for the next budget cycle. He suggested that the issue be presented in the approval process beginning at the Clinical Operations Board, next it goes to the HSC Finance Committee, the HSC Governing Board, the Finance and Facilities Committee and finally, the approval of the full Board of Regents.

EXECUTIVE SESSION:

none

Regent Koch moved to adjourn at 11:29 a.m., and Regent James seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.