

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
November 1, 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; Steve Beffort, Lobo Energy; Stephen Boerigter, UNM Los Alamos; Bruce Cherrin, Purchasing; Andrew Cullen, Planning, Budget & Analysis; Pamina Deutsch, Policy Office; Bob Doran, University Architect; Michael Duran, HR; Debra Fondino, University Services; Robert G. Frank, UNM President; Wynn Goering, UNM West; Gil Gonzales, CIO; Helen Gonzales, Compliance Office; Kathy Guimond, UNMPD; Sara Gurule, Office of the EVP for Administration; David W. Harris, EVP for Administration, COO and CFO; Gene Henley, Staff Council; Rick Henrard, Capital Projects; Richard Holder, Faculty Senate; Paul Krebs, Athletics; Lisa Marbury, Institutional Support Services; Cenissa Martinez, Office of the EVP for Administration; Liz Metzger, Controller's Office; Tom Neale, Real Estate; Kate O'Neill, UNM Taos; Manu Patel, Internal Audit; Fred Peralta, Town of Taos; Elaine Phelps, HR; Priscila Poliana, GPSA; James Pollard, UNM Taos; Curt Porter, Provost Office; Mallory Reviere, Regents' Office; Dorothy Rodriguez, President's Office; Oscar Rodriguez, Town of Taos; Isaac Romero, ASUNM; Marc Saavedra, Government & Community Relations; Eric Schwaner, Capital Projects; Mario Suazo, UNM Taos; Chris Vallejos, Institutional Support Services; Mary Vosevich, Physical Plant; Jewel Washington, HR; Lisa Wismer, UNM Los Alamos; Jeff Zumwalt, PPD.

Chairman Regent Koch called the meeting to order at 9:05 a.m. in Scholes Hall, Roberts Room.

ACTION ITEMS:

- **Quorum established**
- 1. **Meeting Summary from October 4, 2013. Regent James moved to approve and 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 was prepared as of month end on September 30, 2013. Numbers from the prior fiscal year are included in the report solely for comparison. What the current fiscal year is measuring to is the budget, which varies from year to year. For the Instruction and General (I&G) Exhibit, Main Campus Tuition and Fees have posted, and is the primary focus. There is a new calculation per credit hour, the blocking is different, and fees are higher, which results in numbers being up from the previous fiscal year. Overall, the benchmarks in the I&G Exhibit are on track.

The Research Exhibit is 50% HSC and 50% Main Campus. In response to Regent inquiry, the Cigarette Tax is included in the Research Exhibit and the Tobacco Settlement is part of the I&G and Clinical Exhibit.

Public Service, Student Activities, and Auxiliaries Exhibits are on track this first quarter. The Student Aid Exhibit takes time for revenue to catch up with transfers. Sponsored Programs are also included in the report because they are considered a part of the University's operations; however, they always net to zero because of the way they are cost-reimbursable based. The Clinical Exhibit is our Cancer Center, University Hospital, School of Medicine, and while they are at expenditure over revenue balance, they do have a significant uptick in activity. Overall, we are at a \$56.1 million increase in our fund balance as of September 30, but that gets spent down when our tuition and fees get spent down during the remainder of the calendar year.

In response to Regent inquiry, the Lottery Scholarship will be reviewed in January potentially as an impact in the second semester. EVP Harris stated that if they don't fix the problem with the Lottery Scholarship, the Higher Education Secretary will be required to come up with a solution that lives within the funds available.

Regents' approval was requested for the Fiscal Watch Report, which is a report that we are mandated to submit to the Higher Education Department at the end of each quarter. It is using the same financial information included in the monthly financial report, but in a different format provided by HED that includes plant funds. This report does not include the Hospital but only includes the academic portion of Health Sciences.

In response to Regent inquiry, the outflow of interest rate swap resources has a zero effect on the balance sheet but more details will be provided as requested by Regent Gallegos. **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 list dated October 11, 2013.** Bruce Cherrin made the presentation. There are 15 items on the Surplus Property Disposition for October, none of which have net book value. In response to Regent inquiry, some items, such as the Olympus Digital Camera, are not likely to produce much return at auction because of the age of the equipment and rapidly changing technology. **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 Appointment to Lobo Energy, Inc. Board of Directors.** Steve Beffort made the presentation. Regents' approval was requested for the reappointment of Bruno E. Carrara to the Lobo Energy Board of Directors for another four-year term. Regent Gallegos stated that Mr. Carrara has been a positive and effective Board member with a lot of regulatory experience, which is beneficial. **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 Lobo Development Corporation Board of Directors.** Chris Vallejos made the presentation. Regents' approval was requested for the reappointment of Louis Abruzzo, Stephen Ciepiela, and Maria Griego-Raby to the Lobo Development Board of Directors as non-positional members for a one-year term. Regent Koch stated that Mr. Abruzzo owns very large shopping centers throughout the state, Ms. Griego-Raby was a former UNM Regent and serves on the State Board of Finance, and Mr. Ciepiela was a past president of the UNM Alumni Association. All three have been positive and effective members for the Lobo Development Board. **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.**

6. **Approval of Capital Projects:**
 - 1) **Continuing Education South Wing Solar Power System.** Chris Vallejos and Jeff Zumwalt made the presentation. Regents' approval was requested for the Capital Project for the Continuing Education South Wing Solar Power System. This project will install photovoltaic panels on the roof of the Continuing Education building, furthering the sustainability project at UNM. The estimated budget for the project is \$360,000, of which \$180,000 is funded with a donation from Rio Grande Solar and \$180,000 is funded from Lobo Energy Inc. The photovoltaic system will generate approximately 134,000 kWh per year of renewable energy, which equates to 32% of the total building consumption. It will also reduce the PNM utility bill by \$20,000 per year, and will not affect the PNM power grid on the building. Construction will begin in the coming weeks and is anticipated to be completed by the end of the year. In response to Regent inquiry, the roof on the Continuing Education building has recently been replaced; however, other buildings around campus do not have the structural roof capabilities for solar panels. It is important when building new buildings, or refurbishing older ones, to keep sustainability programs in mind. There is currently \$1 million allocated through Lobo Energy for photovoltaic units, and there has been an inventory taken on applicable buildings for this project. **Regent Gallegos moved to approve and Regent James seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

7. **Approval of Rio Grande & Bataan Hall Lease Purchase.** Kate O'Neill, James Pollard, Mario Suazo, Tom Neale, Fred Peralta and Oscar Rodriguez made the presentation. Regents' approval was requested for the Rio Grande & Bataan Hall Lease Purchase. At the request of Regent Koch, Fred Peralta briefly discussed the formation of the UNM Taos Branch Campus. The UNM Taos Branch Campus is growing with a 9% enrollment increase this fall semester and a total of 1857 students. Based on the office of Capital Projects Space Utilization Evaluation, UNM Taos is at 80% capacity of current classroom space. This lease purchase is a good way to move forward to accommodate the growth of the campus at the benefit of the community, town and college.

Mr. Pollard stated that the two buildings in discussion are actually one building now, called the Taos Convention Center. There are about 26,000 gross square feet which will amount to 18,000 net square feet for educational purposes. Most recent additions to the buildings were done in 2009 in terms of equipment, and 1998 in terms of structural work. The buildings are in stable shape and have been maintained fairly well, except for roofing and

drainage issues. The structures were originally the armory in Taos, post-WWII. Rio Grande Hall was the armory/garage and Bataan Hall was the gymnasium. It was given to the Town of Taos and converted to a convention center. The Bataan Hall is marked as a historical building as a memorial to the Bataan Death March. The status of the plumbing is sufficient as is and up to code, but will need additional facilities. The IT and electrical service is good but will need more power for classroom use. There is fiber optics within the building. The cost estimate to renovate the buildings for academic use and move current HSC programs amounts to \$3.6 million for complete build-out of the facilities. Mr. Peralta stated that the lease purchased from the town is \$1 forever. It will be structured as a lease with purchase so we can enter into the lease with the Town of Taos for an initial five-year term for \$1 per year with the right to extend that up to an additional ten-years, so we can control that asset for 15 years. But at any point in that timeline, we can exercise our purchase option for \$1. A funding proposal will be presented with the project approval. Within a short amount of time, there has been a lot of due diligence done and very positive meetings with the Town of Taos on how to structure this agreement. In the lease with purchase option, the Town of Taos would agree to maintain the facility for a period of time to complete detailed due diligence and move forward for the further approvals required to execute a capital project.

UNM Taos currently leases a space for the Health Sciences Nursing Program which is \$6,000 per month or around \$75,000 per year. The lease expires in December of this year. When the space is built out and ready to move the program, it would be timed so the lease would expire at the same instance.

In response to Regent inquiry, liability and building insurance would be covered and would extend from the state risk for our occupancy. The current operating expenses for this building are what the town is covering during the lease. Including personnel, that is approximately \$50,000 per year, most of it in personnel costs.

Dr. O'Neill stated that there is the local and gross receipts tax which is the only county in New Mexico that has that tax for educational purposes. These bonds were sold in August and are available to UNM Taos at this time, which is about \$5.6 million currently available that would cover the \$3.6 million for the build-out of the facilities.

President Frank is very supportive of this proposal and believes it is a great collaboration with the campus and the city. This branch campus is doing well and has great leadership. Regent Gallegos requested to see the lease purchase at the Board of Regents' meeting. **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. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairman Koch recommended items 3, 4, and 5 to be placed on the full Board of Regents' consent agenda.

INFORMATION ITEMS:

9. **UNM – Los Alamos Campus Mil Levy Election Analysis and Response.** Lisa Wismer and Stephen Boerigter made the presentation. Information was provided on the UNM – Los Alamos Campus Mil Levy Election. The 2013 Mil Levy Election was the second election

lost, the first was in 2010. The UNM Los Alamos (LA) Advisory Board believed the community was behind the efforts, but the college will still survive without the Mil Levy. The results of the 2012 Public Schools Bond Election show that it is clear the residents of Los Alamos support education. It was an important lesson learned in Los Alamos. The UNM LA Advisory Board is still very strongly in favor of growth of the total number of students, specifically early career degree seeking students and transfer students. As an Advisory Board, the primary goal is to work with Dr. Page and the rest of the staff to bring a tighter level of focus programs that drive towards increasing enrollment. There are 10 core faculty and 100 adjunct faculty, 60% have a Ph.D.

EVP Harris stated that HED is very critical of the lack of enrollment at the UNM LA Branch, roughly 300 FTE. It seems to be more of a distance learning center now than anything else. There are even strong comments about decertifying the branch, so there are very strong opinions at the HED. Dr. Cedric Page will have to meet with some people from HED to correct some of their perceptions.

President Frank stated that it was an unfortunate outcome, but there was concern expressed about this election. The HED has denied two funding requests to Los Alamos for buildings since the election. The timing is such that the small enrollment combined with the negative bond vote has exacerbated a perception that the campus is at risk. There needs to be thorough discussion because the Governor's office now sees the UNM LA Branch Campus as an example of an underutilized campus. Moving forward, there are only three options - close the campus, merge the campus, or grow the campus, so the dialogue needs to begin.

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 10:00 a.m., and Regent James seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.