

**THE UNIVERSITY OF NEW MEXICO**  
**Board of Regents' Finance and Facilities Committee (F&F)**  
**December 6, 2013 – Meeting Summary**  
**REVISED MINUTES – (revisions are underlined)**

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

**Committee Members Absent:** none

**Non-voting Members Present:** Regent Fortner and Regent Overton

**Other Attendees:** **Chaouki Abdallah**, Provost; **Dianne Anderson**, University Communication & Marketing; **Bruce Cherrin**, Purchasing; **Andrew Cullen**, Planning, Budget & Analysis; **Pamina Deutsch**, Policy Office; **Michael Duran**, HR; **Debra Fondino**, University Services; **Robert G. Frank**, UNM President; **Keelie Garcia**, Lobo Development; **Gil Gonzales**, CIO; **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; **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; **Manu Patel**, Internal Audit; **Elaine Phelps**, HR; **Curt Porter**, Provost Office; **Mallory Reviere**, Regents' Office; **Dorothy Rodriguez**, President's Office; **Isaac Romero**, ASUNM; **Marc Saavedra**, Government & Community Relations; **Chris Vallejos**, Institutional Support Services; **Mary Vosevich**, Physical Plant; **Jewel Washington**, HR; **Frances Wilkinson**, University Libraries; **Chien-Chih Yeh**, Internal Audit.

Chairman Regent Koch called the meeting to order at 10:35 a.m. in Scholes Hall, Roberts Room.

**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.

Chairman Regent Koch called the meeting to order at 11:00 a.m. in Scholes Hall, Roberts Room.

**ACTION ITEMS:**

- **Quorum established**
- 1. ~~**Discussion and Approval of Fairmount Properties South Campus Development Project Preliminary Plan.**~~ Item was removed from the agenda.

2. **Meeting Summary from November 1, 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.**
3. **Monthly Consolidated Financial Reports.** Liz Metzger made the presentation. The Monthly Consolidated Financial Report was prepared as of month end on October 31, 2013, four months into the fiscal year. The University has a \$34.7 million net revenue balance bottom line for current operations. One area being closely watched is Unrestricted Research, which is funded by our F&A dollars and in limbo with the government shutdown and federal budget cuts. At this point, proposals are holding steady and the awards to the University are down; however, if the awards are down it affects the F&A side. Clinical Operations are at \$4.5 million higher net result than the same time last year. Last October posted a \$5.5 million deficit; this October it is a \$1 million deficit, which is a \$4.5 million positive. Another area of close watch currently is the Lottery Scholarship for the spring. The University paid the bond interest on December 1, which is not reflected in the report. Auditors will present the Audited Financial Statement of FY13 at the upcoming Board of Regents meeting. Similar to HSC's financial presentation to the Board, metrics are currently being developed for these monthly consolidated financial reports, such as dashboards and benchmarks, which Ms. Metzger hopes to present in the new calendar year.
4. **Disposition of Surplus Property for Main Campus on list dated November 15, 2013.** Bruce Cherrin made the presentation. There are 12 items on the Surplus Property Disposition for November, only one has net book value. In response to Regent inquiry, the School of Medicine centrifuges from 1976 and 1983 are not working, but the department has offered the equipment to other researchers within Internal Medicine as well as to external departments; however, due to their obsolescence they were declined. **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 Rights for Baseball Clubhouse.** Paul Krebs made the presentation. Regents' approval was requested for the Naming Rights for the Baseball Clubhouse. The Athletics Department has been working on renovating the Lobo Baseball Field. With the Board's help to date, accomplished projects include new playing surface, dugouts, scoreboard, outfield fence, stands, press box, landscaping /drainage, and lighting.

In response to Regent inquiry, the baseball team often uses the visitor basketball locker room in the PIT and the visitor baseball team comes dressed for the game. There is some space in the existing batting area where players can change, but it does not have plumbing. For that purpose, a plan will be forthcoming to seek approval to build a baseball clubhouse. The Athletics Department has received a donation of \$500,000 from R.D. and Joan Dale Hubbard, and is seeking approval to name the clubhouse after R.D. and Joan Dale Hubbard. Mr. Hubbard has consistently donated money or reduced pricing at the place where athletes stay in Ruidoso. Mr. Krebs does not believe that it will take the full estimated cost of \$1 million to build the clubhouse, but rather \$600,000-\$700,000. There are a number of contractors who have agreed to donate materials, supplies, and or services to the project. Mr. Krebs is working with Real Estate on some type of private/public partnership with the hopes to get the clubhouse built free of charge. **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 Appointment to the New Mexico Labor Management Relations Board.** Jewel Washington made the presentation. Regents' approval was requested for the appointment of Joseph Allotta, Esq. as the labor representative on the UNM Labor Management Relations Board. The Labor Management Relations Resolution requires Board of Regents' approval to fill a vacated position. Recently, the labor representative position has become vacated, and three of the four unions would like to recommend the appointment of Joseph Allotta. **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.**
7. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairman Koch recommended items 4 and 6 to be placed on the full Board of Regents' consent agenda.

### **INFORMATION ITEMS:**

8. **Report on Lobo Development Corporation Income/Expenses, March 2008–September 2013.** Chris Vallejos and Chien-Chih Yeh made the presentation. Information was provided to the Regents on Lobo Development Corporation (LDC) Income/Expenses from inception in March 2008 to September 2013. Revenues of the LDC were discussed and include three major sources, one from ground lease income from Lobo Village and Casas del Rio, second from Mesa del Sol investment of Advent Solar Fidelity, the Town Center, and Aperture Center, and third from proceeds of the acquisition of three buildings from the Sandia Foundation. Those are the steady major sources of revenue for the corporation currently.

Expenses of the LDC were also discussed, which are mainly in development. The amount of \$2.7 million is from South Campus, specifically the Gibson Corridor. This includes readying the space for development. In response to Regent inquiry, major categories consist of consulting services of \$1.5 million for master planning with Forrest City Commercial Management, major engineering services with Bohannon Huston, and design services with Dekker/Perich/Sabatini to ensure LDC is conforming to master plan specifications. The largest expense includes construction and infrastructure for the fire station, which was \$653,766. Those are the major categories of expenses for the Gibson Corridor. In response to Regent inquiry on legal/consulting expenses, Mr. John Salazar from Rodey Law Firm has worked on a number of projects for LDC over the years. EVP David Harris stated that Mr. Salazar has worked on several discreet projects including Fairmount, Mesa del Sol, Vagabond Zoning Appeal, student housing, and the condemnation of the Sunshine Terrace. The projects that Mr. Salazar has worked on have been the more complex business transactions that we've engaged in. Mr. Vallejos stated that since Kim Murphy retired earlier in the year, strategy has changed a bit and he, Tom Neale, Amy Coburn have been doing oversight and management of the corporation. LDC is trying to limit legal expenses to very specific transactions, and are using more internal counsel by Maureen McGuire and Michael Anderson from University Counsel.

Legal fees for LDC are listed in each specific project's expenses, but student housing is lumped together. For central campus housing, \$502,000 was spent on preparing all the materials to bring before the Regents for approval to move forward with the ground lease, mainly planning and legal. About 98% of those expenditures were reimbursed to the University from American Campus Communities. Mr. Vallejos can provide a breakdown of legal fees for Lobo Village and Casas del Rio upon request. Under the \$2.1 million from Main Campus ACC Student Housing ground lease income, included in that revenue is reimbursable revenue that came back to the University to help absorb costs to develop the ground lease.

In response to Regent inquiry, the Gibson Fire Station is the land exchange and the sale with the City. The \$1 million from 933 Bradbury, 1312 Basehart, and UNM West are the acquisitions from Sandia Foundation, which is one-time revenue and not recurring. Operational expenses for the LDC were also discussed, which include salaries and fringe benefits of the corporation over a five year period. There are currently 3 employees, Amy Coburn, Director for Design & Development, Keelie Garcia, Administrative & Financial Officer, and Gloria Muniz-Chavarria, Professional Intern. The expense of \$587,500 for UNM Budget Assessment is to support the academic mission of the University. Institutional Support Services (ISS), which Mr. Vallejos oversees, has been called upon to help with the \$1.5 million allocations; all 14 ISS units contribute to the \$1.5 million returned to the University budget on a recurring basis starting this year as approved by the Regents.

LDC has an external audit because it is a component unit and gets externally audited, this year by KPMG which had no findings. LDC asked Chien-Chih Yeh from Internal Audit to pull various documents to ensure conformation with contracts and compliance of the corporation. Mr. Yeh stated that the Internal Audit department was requested to do a very high level review of LDC and focus on the Fairmount Property Expenses. Internal Audit reconciled total revenues and total expenses from external audits over the last five years. In addition, Internal Audit requested that LDC management provide Fairmount Properties' project expense details and judgmentally selected a sample of expenses, traced them to supporting documents, and found no exceptions. In response to Regent inquiry, Altura Real Estate represents Kim Murphy, who retired in March 2013, in a very limited basis to help transfer knowledge to the corporation. It is on a year-to-year basis, and Mr. Murphy is being contracted mainly for Fairmount, but the services are being cut back slowly.

- 9. Monthly Capital Projects Executive Report.** Chris Vallejos made the presentation. Information was provided to the Regents on the Monthly Capital Projects Executive Report as of December 2013. Two projects have been put into yellow status. Yellow status is applied if a project is not meeting specific timelines or if it is over budget, and not at the point they need to be.

The renovations of the science labs at the UNM Los Alamos branch campus have been put into yellow status, which was tabled at the Higher Education Department (HED) due to low enrollment at the Los Alamos branch campus. A memo is currently being drafted to HED to show enrollment trends and current FTE to get the project off the table. HED will not take it off the table until they are convinced that the dollar expenditure for the labs will be supported by the number of FTE that will be using the labs. President Frank commented on

the Los Alamos branch and is in talks with the Provost on several options; making the branch function better, combining Los Alamos branch with UNM West, or closing the branch. Meetings and discussions have begun regarding these options. Mr. Vallejos stated that the funding source for the project is \$500,000 from General Obligations Bonds, which would need to be repurposed or reallocated at the state level, and \$250,000 from Los Alamos through gifts and donations.

The second project put into yellow status is the North Golf Course Renovation, a partnership with Bernalillo County, which was bid earlier in October/November. The project was put into yellow status due to the bidding environment and the bids that came through which put the project behind schedule. The bids came back substantially high, so the project was separated into the irrigation system and the landscaping. There have been favorable bids coming through and work to keep the budget on track and get the project complete before peak season in March.

To fulfill a request presented by Regent Gallegos, which centered around Construction Manager At Risk (CMAR), information was gathered over the last three periods, September 2010-2013, from all major projects to show the total budget, specifically the MACC estimate submitted to HED and actual MACC performance. Conclusions from the report indicate that performance was very good regardless of the delivery method chosen as these projects were delivered on time and on or below budget. Delivery methods include Construction Manager at Risk (CMAR), traditional design, bid, build or Request for Proposal (RFP), Job Order Costing (JOC), and finally the Office of Capital Projects performing general contractor duties on certain projects, which are UNM standing contracts. On one particular project called FACE at the Health Science Center, the outliers show it was over-estimated, off the MACC by 12% when it actually performed. However, the budget was within tolerance and allowed decrease of soft costs to address designs.

- Regent Gallegos requested that Bruce Cherrin and Chris Vallejos present information on negotiated architecture fees, specifically in relations to the traditional design fees as opposed to the negotiated design fees to compare how that is being done.

Mr. Vallejos stated that previous Vice President Steve Beffort presented similar information in the past so there is a model on the design fees and where they are performing. These questions hold the University accountable to a standard to bring projects on time and on budget while managing fees. The group is doing a great job performing. Part of it has been market conditions, but the rising prices in the marketplace will become a bit more unfavorable. They are trying to manage as best possible, but much is based on market conditions which are correcting from the downfall of 2009. One advantage from the low market conditions reflects on the Science and Math Building which was brought in 30% under the estimate.

### **COMMENTS:**

none

**Regent James moved to adjourn at 12:18 p.m., and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**