

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
June 7, 2012 – Meeting Summary

Committee Members Present: Regent Don Chalmers; Regent Jamie Koch; Regent Gene Gallegos

Committee Members Absent: none

Non-voting Members Present: none

Other Attendees:

Chaouki Abdallah, Provost; **Kelly Baatz**, Student Life; **Bruce Cherrin**, Purchasing; **Mary Clark**, Staff Council; **Liz Cleary**, Daily Lobo; **Andrew Cullen**, Planning, Budget & Analysis; **Pamina Deutsch**, Policy Office; **Robert Doran**, University Architect; **Michael Duran**, Human Resources; **Rachel Felix**, Office of the EVP for Administration; **Bob Fondino**, HSC; **Astrid Galvan**, Albuquerque Journal; **Helen Gonzales**, Human Resources; **Kathy Guimond**, Police Department; **Tim Gutierrez**, Student Affairs; **David W. Harris**, EVP for Administration, COO and CFO; **Mary Kenney**, Planning & Campus Development; **Britney King**, Daily Lobo; **Beverly Kloepple**, Student Health; **Paul Krebs**, Athletics; **Lisa Kuuttila**, STC.UNM; **Richard Larson**, HSC; **Ava Lovell**, Finance; **Lisa Marbury**, Institutional Support Services; **Steve McKernan**, UNM Hospitals; **Chris Muirhead**, Modrall Law Firm; **Caroline Muriada**, ASUNM; **Kim Murphy**, Real Estate; **Tom Neale**, Real Estate; **Manu Patel**, Internal Audit; **Lee Peifer**, University Counsel; **Elaine Phelps**, Human Resources; **Tim Ross**, Faculty Senate; **Marisa Silva**, GPSA; **Billy Sparks**, HSC; **Vahid Staples**, Planning, Budget & Analysis; **Marie St. Clair**, Student Health; **Chris Vallejos**, Institutional Support Services; **Mary Vosevich**, Physical Plant; **Ellen Wenzel**, Regents' Office

Regent Chalmers called the meeting to order at 9:05 a.m. in Scholes Hall, Roberts Room. Per the request of Regent President Fortner, Regent Chalmers announced that the committee members will now only consist of Regent Chalmers, Regent Koch and Regent Gallegos.

COMMENTS:

Faculty Senate. Tim Ross stated that he presented a detailed report for the Board of Regents at the Academic Affairs Committee meeting. There were two considerations involving finance including the development of a short-term or three-year plan for faculty compensation as well as the continuation of funding for the Provosts' academic budget.

Staff Council. Mary Clark asked the committee to take into consideration staff compensation as well as faculty compensation. Staff deserves to be compensated as they have gone without raises and taken on additional duties while many positions have not been replaced. She announced her election for a second term as president of Staff Council.

ASUNM. Caroline Muriada introduced herself as the new ASUNM president, and stated that this is her first F&F meeting. She looked forward most to hearing Provost Abdallah's presentation on faculty compensation and retention.

GPSA. Marisa Silva introduced herself as the new GPSA president and she anticipates a productive year working with F&F.

ACTION ITEMS:

1. **Meeting Summaries from March 12, 2012, April 5, 2012 and the Special Joint F&F/HSC-FACC Meeting May 2, 2012. Regent Gene Gallegos moved to approve and Regent Koch 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 lists dated April 13, 2012 and May 18, 2012 and UNM Hospitals on list dated May 2012.** Bruce Cherrin made the presentation. In response to Regent inquiry, every effort is made to distribute surplus property to rural communities in New Mexico where they may be of use. **Regent Gene Gallegos moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
3. **Contract Approval:**
 - 1) **Student Health and Counseling.** Bruce Cherrin and Beverly Kloeppel made the presentation. Regents' approval was requested for the selection of Macori, Inc. to provide student health insurance. Under the Affordable Care Act, benefits and caps are increased resulting in a 22% increase for student health insurance. The University pays for teaching assistants and graduate assistants whose benefits are covered under their employment. All other undergraduate and non-graduate students have the option to purchase. In response to Regent inquiry, a broker was not used to bid for the insurance because there are limited insurance companies that provide student health insurance. In response to Regent inquiry, premiums will increase from \$1,427 to \$1,742 per year. In response to Regent inquiry, there are three major changes that will provide additional benefit: the annual cap per injury or illness has increased to \$100,000 per year; internal cap on essential benefits has been removed (i.e., pharmaceuticals); and preventative health will be covered without co-pay. In response to Regent inquiry, the benefit is charged against I&G funds if the student health benefit is covered by their employment. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
 - 2) **Physical Plant – BP Energy Company.** Bruce Cherrin and Mary Vosevich made the presentation. Regents' approval was requested for the purchase of natural gas under a three-year contract with a one-year option to renew. BP was the lower bidder of two companies. The contract is approximately \$3 million for FY13. In response to Regent inquiry, this contract represents approximately 70% of the natural gas purchases by the University. In response to Regent inquiry, about 70% of the cost of gas is fixed and the index is reviewed each month before gas is purchased. Watching the market ensures

that the best savings and prices are gained by the University as prices vary. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 3) **Human Resources Benefits – Medical and Prescription Drug Benefit Stop Loss Coverage.** Bruce Cherrin and Helen Gonzales made the presentation. Regent approval was requested to approve Highmark for medical and prescription drug benefit stop loss renewal. The contract went out for bid and the benefits consultants, Gallagher, assisted in finding competitive bids before July 1, 2012, when the coverage becomes effective. Several other companies refused to bid because they felt they could not produce a competitive bid given the amount of time to bid before the July 1 deadline or the risk exposure being too high. The approximate annual cost with Highmark is \$2.18 million with a \$500,000 deductible. The rate varies based on \$21.28 per employee per month. Regent Koch stated that this type of bid needs to be issued earlier in the future so that the insurance company will have enough time to bid. Regent Chalmers asked to get more than one bid in the future so that the process is more competitive. In response to Regent inquiry, there will be more planning when bids are issued for insurance in the fall. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

4. Approval of:

- 1) **Capital Project for Photovoltaic System for the Science and Math Learning Center.** Vahid Staples made the presentation. Regents' approval was requested for a project that will install a photovoltaic system for the Science and Math Learning Center (SMLC). The project includes assembly, mounting inverters, metering, electrical wiring, installing panels and connection to the electrical system at the SMLC. The SMLC opened in March 2011 and was designed for the installment of this system, so no major construction is necessary for the project. Direct energy savings will be \$15,000 per year. The project will allow UNM to avoid a PNM renewable energy tariff of \$250,000. Total estimated project budget is \$347,292 to be funded by a private donor and a utilities budget. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 2) **Architect Selection for the Tennis Center, Phase One.** Vahid Staples made the presentation. Regents' approval for architect selection for the Tennis Center, Phase One. Project approval will be requested at a future date. The recommended firm is Molzen-Corbin of Albuquerque. The firm offers a flat fee of \$49,500 which includes architecture, civil engineering, and construction administration. The firm has vast experience with the athletic department: it provided design for the athletic master plan, the Pit, and football stadium pavilion. This project will be integrated into the overall south campus design and will be located north of softball field and west of the Pit. The courts will allow six new courts to host the conference championship. The courts will also be beneficial for recruiting and spectator viewing. Total project budget is \$1.2 million funded by a private donor. In response to Regent inquiry, Molzen-Corbin is

obtaining their specifications from the U.S. Tennis Association. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 3) **Architect Selection for HSC 1650 University NE, Tenant Improvements.** Vahid Staples made the presentation. Regents' approval was requested for the selection of an architect for the next phase in rehabilitating the building at 1650 University NE. Fanning Bard Tatum was selected because of their familiarity with the building. The firm received the highest score and offered the lowest bid. The total proposed flat fee is \$223,989, based on complete programming, design and construction administration. The project will address the interior space, demolition, construction of new walls, partitions, flooring, ceilings, cabinetry and lighting. Total allowable construction cost is \$4.3 million. In response to Regent inquiry, this amount addresses tenant improvements and is separate from the core and shell. In response to Regent inquiry, the estimated cost amount was based on internal assessment of the building condition. In response to Regent inquiry, the approval only applies to the fee and the final cost estimate and project approval will be presented to the Regents at a later date. **Regent Gallegos moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

5. **Approval of:**

- 1) **Annual Renewal of Maui HPCC Lease.** Kim Murphy and Tom Neale made the presentation. Regents' approval was requested to exercise the option to extend the Maui lease. This is an annually renewable lease based on a commitment from the University of Hawaii under a sub-lease arrangement. In response to Regent inquiry, this lease arrangement has been ongoing for twelve years. Total equity earned is \$2.5-3.5 million. **Regent Gallegos moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
 - 2) **Amendment to CASAA Lease – 2560 Yale SE.** Kim Murphy and Tom Neale made the presentation. Regents' approval was requested for the extension and amendment of the lease for the Center for Alcohol and Substance Abuse Addiction (CASAA). CASAA currently occupies 22,384 sq. ft. at a rate of \$14.63 per sq. ft. The renewal lease has been negotiated to extend the lease term beyond September 2012 at \$11.50 per sq. ft. with increases of \$0.25 per sq. ft. each year for a five-year lease term. The lease will not increase beyond what is currently being paid. In response to Regent inquiry, CASAA is still considered a prospective tenant for the project at 1650 University if the HSC decides that the occupancy benefits the University. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
6. **Real Property Acquisition 4100 Sabana Grande, Rio Rancho.** Kim Murphy and Tom Neale made the presentation. Regents' approval was requested to acquire a vacant property at 4100 Sabana Grande in Rio Rancho. The property was developed in 2007 as a car dealership. The building contains 587 sq. ft on 1.8 acres, and is located approximately a quarter mile north of the intersection at Southern Blvd and NM 528 in Rio Rancho. This

transaction was negotiated on behalf of UNM Medical Group and will be converted to a primary care clinic. The property was originally listed at \$2.8 million and the price has been reduced over time. The property is currently under contract in the name of the Regents for \$1.35 million or \$127.51 per sq. ft. The property was appraised at \$1.4 million. **Regent Chalmers moved that the item be approved subject to Regents' Policy 7.9, and Regent Koch seconded. Regent Gallegos abstained. The motion passed by majority vote with a quorum of committee members present and voting.**

- 7. Approval of Resolution, Notification and Certification for State 2012 Severance Tax.** Andrew Cullen made the presentation. The resolution states that the University has developed these projects to the point where UNM is confident to move forward with them and ready to expend the funds. In response to Regent inquiry, there is a difference between the Severance Tax and G.O bond process. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 8. Approval of Resolution to Reallocate UNM Bond Proceeds.** Andrew Cullen made the presentation. Regents' approval was requested formally for core renovations at 1650 University NE. In the last few months, the Regents approved the core renovation project. This is the formality of approving reallocation of UNM Bond dollars to support that project. In response to Regent inquiry, all funds are dedicated to specific projects. Overall there are \$15-18 million to draw down on the 2007 Bond proceeds. All the bond dollars are committed to projects. All projects have identified debt service revenue streams. This is the last reallocation available. In response to Regent inquiry, student fees support bond issues by \$24 per student per year, which has increased over time as enrollment increases. **Regent Koch 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 Liquidity Provider Extension.** Andrew Cullen made the presentation. Regents' approval was requested for extension of a liquidity provider for variable rate bonds. Approval includes a contract extension with JP Morgan, the current bank credit facility provider on UNM 2001, 2002B, and 2002C outstanding variable rate bonds. In accordance with the bond indenture, UNM is legally required to have a credit facility associated with variable rate bonds. The credit facility expires on June 16, 2012. In response to Regent inquiry, JP Morgan has lowered their fee. **Regent Koch 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 Capital Outlay Submission to the Higher Education Department.** Andrew Cullen made the presentation. Regent approval was requested for the University' list of projects for the Capital Outlay Submission to the Higher Education Department (HED) as part of the annual process. All universities must submit requests to the HED. The HED ranks higher education requests each year by priority. Last year, UNM's chemistry department project was the highest priority recommended to state legislature and to the governor. The current request is due June 29 to be reviewed, developed and brought to the legislature during the FY13 session. The listing of projects reflects the University's

anticipation of the availability of capital dollars next year. It was also noted that the downside of phasing projects is that it will cost more over time, such as Physics and Astronomy. In response to Regent inquiry, for the recent GO bond year, UNM received \$19 million for Chemistry, \$3 million for Biology and \$4.5 million for all branch campuses. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

11. **Approval of Four Reappointments to STC.UNM Board of Directors.** Lisa Kuuttilla made the presentation. The following board members were recommended for re-appointment to the STC.UNM Board of Directors: Mr. Pedro Suarez, Mr. Gary Tonjes, Ms. Maria Griego-Raby, and Dr. Bert Westwood. **Regent Gallegos moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
12. **Faculty Compensation and Retention.** Chaouki Abdallah made the presentation. Provost Abdallah presented the challenges of compensation and retention using the example of several faculty members at UNM. Regents' approval was requested to redirect \$500,000 from the \$2 million already allocated for new faculty members in order to address an increasing number of equity, compaction and retention cases. The funds will not be divided equally but will be judiciously applied according to merit and equity. Fifteen new faculty members will be added to replace faculty members who have left for a variety of reasons. While this will not be sufficient to completely address the problem, it will send the right message to UNM Faculty that the administration and Regents are aware of the importance and urgency of this issue and it will also send a message about putting in place a long-term plan to make faculty salaries competitive. Regent Chalmers noted that the Academic Affairs Committee supports this action. In response to Regent inquiry, faculty members who are most competitive in their fields were identified for retention efforts. Regent Chalmers placed emphasis on the importance of developing a long-term plan with specific allocations to address these issues over time. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
13. **Approval of Phase I Revisions; Comprehensive Review of the Regents' Policy Manual.** Pamina Deutsch made the presentation. Regents' approval was requested for the first phase of revisions to the Regents' Policy manual. There are eight policies with very minor revisions having to do with updating titles, removing sections that are not necessary, stylistic consistencies, congruence of language etc. As the project progresses, there are more revisions that will need to be made and the Regents may decide to appoint an ad hoc committee to review revisions before they come to the F&F committee and ultimately before the full Board of Regents. Regent Gallegos requested more time to review the proposed changes. Regent Chalmers suggested that these revisions be made to fewer policies at a time. **Regent Chalmers moved to pass the item forward to the full Board of Regents without a recommendation or endorsement of changes. Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 13A. Approval of UNMH Lands West Hospital 96 Bed Hospital Addition.** Steve McKernan made the presentation. Project approval was requested for a six-floor hospital building with 96 beds, six surgical suites, and diagnostic space at the proposed UNMH Lands West location. An adjoining medical office building will have cardiology and eye clinics. The building cost is \$96 million. Total project cost is estimated at \$146 million. Regents' approval was also requested for the selection of Bradbury Stamm for Construction Manager at Risk. The CM at Risk will be beneficial for the project because it will ensure close collaboration with the owner and the architect on constructability and meet the time frame for the project. Projected ground breaking deadline is October 2012 for a July 2014 opening date. In response to Regent inquiry, the equipment will be purchased from the hospital's capital fund, and the hospital land and building itself will be an asset of the University. **Regent Koch moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 14. Recommendations for Consent Agenda Items on full Board of Regents' Agenda.** Don Chalmers recommended items 2, 3, 4, 5, 7, 8, 9, and 11 to be placed on the consent agenda. Items 6, 10, 12, 13, and 13A were recommended to be placed on the non-consent agenda.

INFORMATION ITEMS:

- 15. Monthly Consolidated Financial Report.** Ava Lovell made the presentation.
- 16. Review of Proposed Amendments of Regents' Policy 7.9 – Property Management.** Don Chalmers, Pamina Deutsch, and Tom Neale made the presentation.
- 17. Modifications to Regents' Policy 7.21 – Investment of Operational Funds and Bond Proceeds.** Andrew Cullen made the presentation.
- 18. Update on the Renovation of Lobo Baseball Field.** Paul Krebs made the presentation.

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. Discussion and determination where appropriate of matters subject to attorney-client privilege pertaining to threatened or pending litigation pursuant to Section 10-15-1. H (7), NMSA (1978)
- D. Vote to re-open meeting
- E. Certification that only those matters described in paragraph B & C 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 Chalmers moved to adjourn at 1:10 p.m., and Regent Koch seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.