

THE UNIVERSITY OF NEW MEXICO
Regents' Finance and Facilities Committee
October 29, 2009 – Meeting Summary
REVISED

Committee Members Present: Regent Don Chalmers; Regent Gene Gallegos; Regent Jamie Koch; Mr. Jerry Geist; EVP Paul Roth; EVP and Provost Suzanne Ortega

Committee Members Absent: none

Non-voting Members Present: Regent Raymond Sanchez

Other Attendees:

Elisha Allen, Staff Council; **Patrick Apodaca**, University Counsel; **Martha Bedard**, University Libraries; **Breda Bova**, President's Office; **Christine Chavez**, Internal Audit; **Bruce Cherrin**, Purchasing; **Andrew Cullen**, Budget Office; **Jozie DeLeon**, Provost's Office; **Regina Dominguez**, Budget Office; **Rachel Felix**, EVP Office; **Doug Fields**, Faculty Senate; **Bob Fondino**, HSC Finance; **Julia Fulghum**, VP for Research; **Kathy Guimond**, Police Department; **David W. Harris**, EVP for Administration, COO and CFO; **Miguel Hidalgo**, Capital Projects; **Roy Johnson**, Retiree Association; **Merle Kennedy**, Staff Council; **Mary Kenney**, Planning and Campus Development; **Richard Larson**, HSC; **Ava Lovell**, Finance; **Lisa Marbury**, Institutional Support Services; **Cenissa Martinez**, EVP Office; **Steve McKernan**, UNM Hospitals; **Anthony Masciotra**, UNM Medical Group; **Susan McKinsey**, Communications & Marketing; **Kate Moore**, Provost Office; **Kim Murphy**, Real Estate; **Chris Namoki**, IBEW Local; **Elaine Phelps**, HR Benefits; **Cedric Page**, UNM Los Alamos; **Patricia Remark**, Daily Lobo; **Monika Roberts**, ASUNM Student Government; **Martin Salazar**, Albuquerque Journal; **Antonio Sanchez**, Capital Projects; **Donna Smith**, Safety and Risk Services; **Carol Stephens**, Policy Office; **John Stropp**, UNM Foundation; **Carolyn Thompson**, President's Office; **William Turner**, Capital Projects; **Chris Vallejos**, Institutional Support Services; **Mary Vosevich**, Physical Plant Department; **John Welby**, UNM Foundation; **Ellen Wenzel**, Regents Office; **Fran Wilkinson**, University Libraries; **Anne Yegge**, UNM Foundation

Regent Chalmers called the meeting to order at 9:02 a.m. in the Roberts Room at Scholes Hall.

COMMENTS:

Elisha Allen shared a letter from the UNM Staff Council that was sent to the legislature and discussed staff concerns regarding budget cuts and higher education funding.

ACTION ITEMS:

- 1. Meeting Summary from September 11, 2009.** 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. Disposition of Surplus Property on List dated October 7, 2009.** Bruce Cherrin made the presentation. In response to Regent inquiry, the Center for High Tech Materials' "REACTOR" is a type of research equipment that rapidly depreciates in value due to decreasing accuracy of the

machine. Further details on the nature of surplus property will be distributed at future meetings. **Jerry Geist moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

3. Approval of Contracts:

1) **Capital Project – Water System Improvement Project.** Miguel Hidalgo made the presentation. This request for approval is part of a series of capital renewal and infrastructure improvement projects. This project is the fifth phase of several improvements that address infrastructure problems on campus. The improvements will affect water lines and enhance water quality and water pressure adequacy across main campus and north campus. Total project budget is \$1.5 million funded by the Drinking Water Revolving Loan Fund from the American Recovery and Reinvestment Act. **Regent Gallegos moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

2) **Capital Project – UNM Gallup Infrastructure and Roadwork.** Miguel Hidalgo made the presentation. This infrastructure project will improve a loop road at the main entrance of the Gallup branch and also paves an existing parking lot. Total project budget is \$750,000 funded from the 2008 McKinley County G.O. Bonds. **Regent Gallegos moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

4. Approval of Los Alamos Campus Mil Levy Increase. Cedric Page made the presentation. UNM Los Alamos requests Regent approval to move forward with a mil levy increase. It has been 29 years since UNM Los Alamos approached voters with a request to increase the operational mil levy. The recent economic downturn provides justification for the decision and an opportunity to increase the mil levy. In response to Regent inquiry, the mil levy will be part of the Feb. 2, 2010, election, which is coordinated with the school district in Los Alamos. UNM Los Alamos will conduct an educational campaign to inform voters of proposed and current programs for students. The mil levy will result in about \$1.53 million per year. In response to Regent inquiry, projections will be revised as necessary. **Regent Koch moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

5. Approval of Main, Branch Campuses, and Health Sciences Center UBPP 7000 Policy Reports. Andrew Cullen made the presentation for main and branch campuses. In accordance with UNM Business Policies and Procedures 7000 and Regents Policy, the University requests approval of unrestricted balance reports for main campus, health sciences and branch campuses. Reports of deficit balances within colleges and departments are included. At this time, the administration is not recommending the pull-back of funds into the undesignated fund balance due to the results of the state special session and pull-back of state funds. Attachment 1 and Attachment 2 show the year-end total unrestricted balances, which are down approximately \$14 million from the previous fiscal year. It is important to remember that much of the \$50 million is dedicated to certain purposes: \$12 million to student aid; \$11 million to research - faculty research startup, bridge funding and state appropriations for special projects; \$7.5 million to public service and student social; and \$5.4 million in internal services. The remaining balance of \$17.5 million resides in colleges and departments, which is being held to mitigate the mid-year rescission. The reports also include state appropriated special projects, course fees and other initiative dollars to be distributed for expenses, such as faculty hiring and higher education fees. The Higher Education Department recommends that the University keep 3% of I&G balances in undesignated fund balances, which would equate to about \$8.5 million. The University is currently under that recommended amount.

The overall \$4.2 million decrease in undesignated funds is related to Auxiliary Enterprises: plant funds to improve dormitories. There is a \$3.9 million decrease in Information Technology for improved performance and student services. There is also a growth of \$397,000 for branch campuses - \$300,000 of that is for Gallup branch. The last table (attachment 5) indicates deficits over \$100,000. The Student Union significantly reduced their deficit from \$859,000 to \$29,000. UNM Press has increased their deficit by \$750,000. The Golf Course deficit is due to increased competition. Public Events have seen a slight decrease, and the Physical Plant Department has been affected by the holdback of department spending for minor repairs and remodels. The University is looking at ways to enhance revenues and curb expenditures.

In response to Regent inquiry, it is the fiduciary responsibility of the Regents to examine I&G dollars of the fiscal year and determine changes from year to year. In response to Regent inquiry regarding the origin of the \$50 million figure, Attachment 2 shows \$59.6 million. The \$9.6 million deduction comes from endowed funds that were taken out of the undesignated fund balance of the University. The reason for this deduction was that the Foundation dollars are dispersed throughout colleges, and those restricted balances are designated for specific uses, and are deducted from the \$59.6 million to determine unrestricted fund balance. In the column on public service, the endowed funds are largely designated within the colleges in accordance with the donor.

In response to Regent inquiry, the rescission has not affected the academic areas and the administration has picked up most of the cutback of funds due to the rescission. Throughout the course of the year, the administration's message is that the economy is not turning around, and the University as a whole will have to find more money or slow down expenditure levels when possible – this applies to both administration and academics. Being prudent in expenditure practices will allow the University to be flexible when the rescission hits in the future and will allow for more opportunities to address the impact.

In response to Regent inquiry, EVP Harris stated that the President's Goals include design and implementation of an encumbrance system over a 12-month period, and there will be a report by the end of the review period. The fundamental argument with regard to such a system is who will be the designated authority to control balance usages. Regent Gallegos stated that there needs to be some set of standards or rules for expenditure justifications and for retaining funds for certain purposes. The encumbrance system would identify balances that are committed to expenditure.

Regent Sanchez emphasized that the encumbrance system is not being implemented to take money away from any department or area. The purpose of creating the encumbrance system is to provide information for the Regents regarding unrestricted balances and encumbrance balances. The Regents have a responsibility to know that the University is run in a fiscally prudent manner. The Regents need to know the purpose of the balances, the justification for expenditures and amounts, and how long its going to be before the money is used.

Jerry Geist moved to approve the report for UNM Main Campus and Branch Campuses. Suzanne Ortega seconded. The motion passed by majority vote, with Regent Gallegos and Regent Koch opposed.

Ava Lovell made the presentation for the Health Sciences Center. The HSC ended the year 2009 with \$3.5 million in I&G fund balances, that is 3.53% of the total I&G balance, which is about \$101 million. This balance has gone down a little bit from last fiscal year due to the rescission. The entire HSC fund balance, not including I&G, is \$63 million. There are 3 units run by UNMH, and the state funnels the I&G portion for those hospitals. These balances represent 15.22% of the total expense budget.

The higher balance is broken down into several categories: 43% of \$63 million are actual committed (not contractual) encumbrances. These amounts are associated with a contractual commitment authorized in documentation committing the expense; 51% of \$63 million are

dedicated funds that are going toward written commitments for planning purposes. This category is more flexible than the actual committed balances.

In response to Regent inquiry, Steve McKernan stated that uncommitted money for the hospital operates under accounting and auditing guidelines. On the balance sheet for UNMH, the reserves are stated as cash and market security balances. The state requires a reserve balance because the hospital is an over \$700 million operation. UNMH operates under prudent business practices. If the hospital receives mil levy funds, the funds are not used for six months and the hospital effectively gets the majority of that money in one single month after the six month period. For working capital requirements, the hospital has to have substantial reserves. For HSC, the vast majority of balances reside in the academic departments within the colleges. HSC requires the chairs and deans to define their balances. EVP Harris stated that the real distinction between Main campus and HSC is the difference in business models based on cash flow. On main campus, cash flow is based on twice a year, whereas HSC generates cash flow on a monthly basis. In response to Regent inquiry, the use of the term "unrestricted balance" is not accurate by definition, but the term is used as an operational definition for accounting purposes.

Regent Gallegos moved to approve the Report for the Health Sciences Center and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

6. **Approval of Resolution to Reallocate UNM 2007 Bond Proceeds.** Andrew Cullen made the presentation. This is a third request for approval of a resolution to reallocate 2007 bond proceeds. The reallocation request is distinguished by two overall factors: the downturn of the economy and the change in disposable income. Another factor was the pullback of construction funds, and some savings that the University has realized with lower bid costs for construction. The reallocation has to do with the downturn in the economy and the stress that UNM employees are feeling regarding take-home pay. Moving forward with the parking structure would increase parking fees, but the increase would be that much more if parking had the debt service responsibility to pay as a result of constructing the C-Lot. Therefore, the construction of the lot has been postponed. The reallocation was based on discussions with the EVP's about other viable projects to benefit students and to pay debt service, and there are other projects that the administration is willing to go forward with including those HSC projects proposed by EVP Roth. In response to Regent inquiry, the reallocation of bond proceeds will assist in the effort to fund \$12 million for the Sandoval County Regional Medical Center facility. Patrick Apodaca stated that the resolution amends the existing resolution authorizing the use of the bonds. Bond council issued an opinion that the use of the bond is within the issue of the bond. There is a graph of the opinion that will circulate and be finalized before it goes to the Board. **Jerry Geist moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
7. **Approval of Request for Approval of LEI Board Member.** David Harris made the presentation. Bruno Garrero was recommended for appointment to the LEI Board. **Jerry Geist moved to approve and Regent Koch seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
8. **Approval of Long-Term Care Insurance Proposal.** Helen Gonzales, Elaine Phelps, and Roy Johnson made the presentation. The University has had long-term care insurance for about 10 years. It is very unusual for an employer to purchase long-term care. The University provides a \$2000 per month benefit for employees at no cost. The cost is lower per employee per month. Employees may purchase additional amounts if they would like. Since 1999, the University has paid \$5 million in long-term care. The HR department received input around campus on continuing

the coverage, and meetings were conducted with faculty/staff joint senate committees. Both committees discussed it with their constituency group. Additional constituent information came from different employees. Overwhelming, employees want to keep this benefit. The recommendation is to continue to provide coverage. It is annual year-to-year, at \$7.66 per employee per month. The coverage will continue at existing rates for five years, and will remain the same depending on active, eligible employees. The benefits budget is \$50 million per year. This comes out of the benefits budget pool of funds. It is 1% of benefits budget. In response to Regent inquiry, this was not voted on last year because it is a multi-year contract. The last time it was voted on was in 1999. HR retained the current rate for 5 years. **Jerry Geist moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

9. **Approval of Fiscal Watch Report, and Information on Monthly Consolidated Financial Report, and Facilities and Administrative Rate Agreement for UNM.** Ava Lovell made the presentation. **Regent Gallegos moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
10. **Recommendations for Consent Agenda Items on full Board of Regents Agenda.** Don Chalmers recommended items 2, 3, 4, 7, 8 and 9 to be placed on the Consent Agenda.

INFORMATION ITEMS:

11. **Discussion of FY10 Budget Rescission Funding Scenario.** Andrew Cullen made the presentation.
12. **Contract Information:**
 - 1) **UNMH – Staples Promotional Products**
 - 2) **Office of the Medical Investigator – Philips Medical Systems**Bruce Cherrin made the presentations
13. **Capital Projects Monthly Status Report.** Miguel Hidalgo made the presentation.
14. **Status Report on Sandoval Regional Medical Center Financing.** Steve McKernan made the presentation.
15. **UNM Foundation Quarterly Performance Report.** John Stropp made the presentation.
16. **UNM Regents Portfolio Report for Quarter Ending 9/30/09.** David Harris made the presentation.
17. **Senior Medical Insurance Plans.** Helen Gonzales made the presentation

EXECUTIVE SESSION:

- A. Vote to close the meeting and proceed in executive session.
- B. Discussion and Determination where appropriate of limited personnel matters, relating to consideration of medical staff appointments, re-appointments and privileges *pursuant to Section 10-16-1 H (8), NMSA (1978).*
- C. Discussion and determination where appropriate of potential purchase, acquisition or disposal of real property *pursuant to Section 10-16-1 H (8), NMSA (1978).*
- D. Vote to re-open the meeting.

- E. Certification that only those matters described in paragraphs above were discussed in executive session, and if necessary, ratification of actions, if any, taken in executive session.

Regent Chalmers moved to adjourn at 12:45 a.m., and Regent Sanchez seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.