

THE UNIVERSITY OF NEW MEXICO
Regents' Finance and Facilities Committee
December 10, 2009 – Meeting Summary

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

Committee Members Absent: EVP Paul Roth

Non-voting Members Present: Regent Raymond Sanchez

Other Attendees:

Elisha Allen, Staff Council; **Patrick Apodaca**, University Counsel; **David Bear**, Chemistry Dept.; **Martha Bedard**, University Libraries; **Steve Beffort**, Institutional Support Services; **Breda Bova**, President's Office; **Joe Cecchi**, UNM; **Bruce Cherrin**, Purchasing; **David Conway**, ASUNM Student Government; **Andrew Cullen**, Budget Office; **Jim Dobbie**, Hunt; **Regina Dominguez**, Budget Office; **Rachel Felix**, EVP Office; **Doug Fields**, Faculty Senate; **Bob Fondino**, University Services; **Debra Fondino**, University Services; **Julia Fulghum**, VP for Research; **Gil Gonzales**, Chief Information Officer; **Helen Gonzales**, Human Resources; **Rick Goshorn**, Distance Education; **Kathy Guimond**, Police Department; **David W. Harris**, EVP for Administration, COO and CFO; **Miguel Hidalgo**, Capital Projects; **Merle Kennedy**, Staff Council; **Lisa Kuuttilla**, STC.UNM; **Ava Lovell**, Finance; **Lisa Marbury**, Institutional Support Services; **Cenissa Martinez**, EVP Office; **Cate McClain**, Center for Development and Disability; **Steve McKernan**, UNM Hospitals; **Susan McKinsey**, Communications & Marketing; **Richard Mertz**, University Counsel; **Walt Miller**, Student Affairs; **Kate Moore**, Provost's Office; **Yolanda Moya**, Policy Office; **Kim Murphy**, Real Estate; **Tom Neale**, Real Estate; **Harry Relkin**; **Patricia Remark**, Daily Lobo; **Katie Richardson-McDaniel**, GPSA; **Monika Roberts**, ASUNM Student Government; **Mark Rogers**, American Campus Communities (ACC); **Martin Salazar**, Albuquerque Journal; **Antonio Sanchez**, Capital Projects; **David J. Schmidly**, UNM President; **Donna Smith**, Safety and Risk Services; **Chelsea Stallings**, ASUNM; **Matt Stein**, ACC; **Gary Todd**, Gary Todd & Assoc.; **Carolyn Thompson**, President's Office; **Chris Vallejos**, Institutional Support Services; **Mary Vosevich**, Physical Plant Department; **John W. Geissman**, Earth and Planetary Sciences; **Ellen Wenzel**, Regents' Office; **Don Whitehead**, UNMCC; **Jamie Wilhelm**, ACC; **Fran Wilkinson**, University Libraries; **Cheryl Willman**, Cancer Center; **John Wills**, Anesthesiology; **Rich Wood**, Faculty Senate; **Carolina Yahne**, UNM Retirees

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

COMMENTS:

Faculty Senate: Doug Fields brought forward questions regarding Item 11 on the agenda and the contract terms with ACC for student housing. He is concerned about the affordability for students, and discussed support for possible student housing locations on Main Campus.

Staff Council: Elisha Allen voiced concern about state budget shortfalls and the impact on UNM staff members.

David Conway, representative of ASUNM, stated that students are pleased with the process and decisions that have been made with ACC since the RFP for the student housing project. ASUNM is confident in moving forward with the project.

ACTION ITEMS:

1. Meeting Summary from October 29, 2009. Regent Gallegos moved to approve with the caveat that the following sentence be removed from page 3, “*The Regents are highly anticipating an encumbrance system that will provide information for projects that soft encumbrances are used for and will also provide a general University-wide standard by which unrestricted balances are spent.*” Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

2. Update on FY-10 Budget Rescission and Preview of FY-11 Budget. President David Schmidly made the presentation. President Schmidly gave a report on the status of the University’s budget and the impact of the rescission. He explained the key underlying principles used in budget decisions to cope with the rescission, and he provided a perspective for moving forward while offering several strategies the University may employ in order to cope with the budget crisis which is likely to worsen for 2011 and beyond.

During the recent special session, the amount of the rescission totaled \$13.1 million. The reduction amount for main campus was \$8.3 million. This I&G rescission was met by allocating \$6.7 million of new revenue that was added to make up for the rescission: \$3 million of extra tuition from the fall enrollment growth; \$3.7 million of stimulus money pledged by the Governor after the first of the year; \$741,000 of balances from college reserves and administrative unit reserves were used as new revenue. In addition, 75% of new revenue was allocated to cover the deficit on behalf of academics, and 25% on behalf of administrative sectors of the University. The Provost and the Deans originally planned to allocate \$2.8 million of academic fund balances and \$135,000 of non-academic fund balances to meet the shortfall. Instead, the University decided to use one-time stimulus funds to protect existing fund balances in anticipation of future cuts for 2011. The entire amount of budget cuts and adjustments that occurred in the past 7 months totaled \$16 million.

There was also a permanent reduction to the base budget. All reductions were in the administrative sector to reduce the impact on the academic sector. The reallocations were split 58% within academics and 42% within administration. New revenue was derived from the following sources: extra tuition, stimulus funds, and funding for special initiatives, including: the Student Success Center, TA and GA positions, hiring minority faculty, library operations, contingency for enrollment, faculty promotions, scholarship funding, and advising initiatives. About 94% of new revenue was directed to academics.

In planning for these reductions and allocations, several commitments were made: protecting the workforce; protecting the research mission of UNM; keeping tuition affordable for students; and protection of special projects. Through the use of the pause and hold approach, layoffs and mandatory furloughs have been avoided. There has been no use or diversion of F&A dollars in any of the three reductions. The research office remains adequately staffed and funded. Compared to peer universities, UNM has done a good job in managing tuition in light of the economic challenges. Overall, special projects have not fared well in reductions. Special projects are facing a 9.5% reduction. There will be continued pressure on these projects moving forward.

By self-insuring medical plans, the University saved almost \$3 million. The cost to active employees did not increase despite average national increases of 10%. The University continues to provide long-term care insurance for employees at a low rate. Education benefits have been enhanced with improvements to health and wellness, which could be associated with lower catastrophic leave rates. Parking rates have not been increased. UNM has been successful in managing energy costs by

reducing consumption by 19%, avoiding \$5 million in energy costs. This is a good example of alternative initiatives that can generate savings and efficiencies.

The University has met each commitment, but the high likelihood of additional state funding cuts requires a reevaluation of the ability to continue all commitments. Further cost reductions could necessitate fundamental restructuring of the University and how it fulfills its mission. Given the uncertainty of the situation going forward, the University will continue its commitment to the pause and hold strategy and will urge elimination of all new hiring for administrative and staff positions, except those deemed absolutely mission critical. The pause and hold does not apply to the hiring of new faculty. It is vital that new faculty continue to be hired and retained in order to maintain an appropriate faculty-student ratio, high standards of instruction and learning, and adequate support for degree completion. The time has come to carefully examine all I&G expenditures to ensure that the funds are spent in the most direct and efficient ways possible so that all expenditures are monitored within control. If additional cuts are deep enough, a tiered furlough plan might be possible. Additionally, some faculties support a retirement incentive plan, and the costs of such a plan may be examined for next year's budget planning. All of these factors create a challenging time for the University. The University must focus carefully on priorities and strategic objectives. A new model will be needed that changes how the University works, but does not change the quality of the education that is delivered. Changes will require engagement at all levels as they are implemented over time.

In response to Regent inquiry, \$3.7 million of stimulus money was used to meet the rescission. This funding will have to be replaced after the stimulus money expires in 2011. Regent Koch expressed concern about the use of one-time stimulus money being replaced by tuition credit to meet the rescission. In response to Regent inquiry, President Schmidly stated that the purpose of the presentation was not to indicate final decisions or strategies that have been made. However, the rescission has been met with minimal impact to the faculty, while there has been a major impact on staff positions.

In response to Regent inquiry, an analysis has yet to be completed on the major restructuring and streamlining of the administrative organization. President Schmidly provided a planning scenario for 2011 that includes vacancy savings and eliminating some positions from the organizational structure. The analysis will examine every aspect of the organization structure and find more ways to streamline. Regent Koch suggested that necessary vacant positions should be filled internally as a method of savings through consolidation and restructuring.

All I&G expenditures will be examined and it will be assumed that all expenditures go toward activities that are mission critical. There will be a list of those expenditures that are going into teaching and research. If there is a dollar on the table, it should be spent on the classroom.

Given the magnitude of any further reductions, special initiatives are being considered for elimination from 2011 budget. In response to Regent inquiry, legislators are aware of the impact of the tuition credit and are working with the cuts across the board. The Council of University Presidents' (CUP) recommendation is to find money and cut across the board for all institutions. The CUP is working to minimize the impact of budget cuts to special initiatives. It is not known for sure what is going to pass. Eliminating the possibility of tuition credit is the CUP's main priority. In response to Regent inquiry, the LFC will continue to cut special projects because of the application of stimulus funding. There are twenty scenarios being recommended by the LFC this session. EVP David Harris stated that a budget can be built for higher education without implementing a tuition credit, and that is a goal the University is working toward.

Jerry Geist commented on the clarity of the presentation in offering a perspective that defines the challenges that the University currently faces. Mr. Geist cautioned against the use of one-time funds for recurring costs, and stated that a principle in going forward should be to stabilize long-term revenue sources that the University anticipates to use and to grow. He stated that part of the

University's success has been to expand the student population for additional tuition revenue, and he expressed approval of each approach so far.

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. Disposition of Surplus Property on list dated November 23, 2009.** Bruce Cherrin made the presentation. **Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

INFORMATION ITEM:

16. Contract Information:

- a. **UNMH – Temps Inc.** Steve McKernan made the presentation.
- b. **UNMH – Dekker/Perich/Sabatini.** Steve McKernan made the presentation.
- c. **UNMH – Quality Medical Staffing.** Steve McKernan made the presentation
- d. **UNM Cancer Center-Advanced Presentation Systems.** Cheryl Willman made the presentation

ACTION ITEMS (cont'd):

4. Approval of Capital Projects:

- a. **Centennial Engineering Center, Nanotechnology and Biotechnology Center.** Miguel Hidalgo made the presentation. This is a request to build out 4,700 sq. ft. of space in the new Centennial Engineering Center to accommodate Nano- and Bio- technology centers at UNM. This space will provide state of the art laboratories and solar support areas for researchers. The labs will develop technology, which will attract funding from investors and bridge the technology gap for the marketplace in New Mexico. President Schmidly commented that this project is part of an initiative to retain Professor Brinker, who represents critical faculty at UNM. This project had a contractual commitment and received an exemption from the Governor's policy to hold capital projects. In response to Regent inquiry, there are several dispersed projects that require exemptions. Total project budget is \$2 million. **Regent Gallegos moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
- b. **Reibsoner Hall 3rd Floor Renovations.** Miguel Hidalgo made the presentation. This project will accommodate laboratories for the biochemistry areas. Improvements will be made to ventilation systems on the 3rd floor of Reibsoner Hall which will allow UNM to meet building code requirements. Total project budget is \$420,000, funded by 2005 UNM Institutional Bonds. **Regent Koch moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
- c. **UNMH Critical Care Wing (CCW) 2 West Anesthesiology Renovation.** Miguel Hidalgo and Steve McKernan made the presentation. This project provides more space to operating rooms for faculty use. Total project budget is \$1.4 million, funded by UNMH Capital Initiative Funds. In response to Regent inquiry, the Initiative Fund is operated by UNMH Accounting Dept. There are two types of budgets that UNMH is funded by: an operating budget and a capital budget. There are specific projects listed in the hospital's capital budget that are kept separate from the operating budget, and this item is listed in that capital budget. If the hospital exceeds the amount budgeted for projects, Regent approval would be required to modify the budgeted amount. **Regent Gallegos**

moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

d. UNMH Renovations and Equipment Replacement for Radiology. Miguel Hidalgo made the presentation. This project replaces radiology interventional equipment at UNMH, and is part of the capital plan to replace a series of equipment. The growth rate of endovascular procedures is in the double digits, and this machine is critical in treating major problems. There are eight of these machines in the hospital that allow for endovascular procedure. The machine will be installed in the Cath labs. In response to Regent inquiry, there are several manufacturers that are considered for bid by UNMH to get the best value and cost. Total project budget is \$10 million, funded by UNMH Capital Initiative Fund. **Jerry Geist moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

5. Approval of:

a. UNMH – Infusion Pump Replacement. Steve McKernan and Bruce Cherrin made the presentation. The hospital uses infusion pumps to control IV fluid transmitted to patients. These are due for replacement. All infusion pumps will be replaced simultaneously for safety reasons and to avoid possible mistakes that can be made by the use of multiple pumps. The bid process will be used to get the best pump system. The pumps communicate with electronic medical records and updated software, which will allow for accurate management. Total cost is \$5.3 million. Expenditures will begin in FY10 and will be completed in FY11.

b. UNMH - Curastat. Steve McKernan and Bruce Cherrin made the presentation. This contract provides nurses from staffing agencies. The hospital is working on eliminating the need for short term nurses. Contract cost ranges from \$1.1 million to \$1.5 million, depending on need.

c. UNMH – 3M Health Information Systems Inc. Steve McKernan and Bruce Cherrin made the presentation. This is a critical upgrade to system and consulting services that assist UNMH with information systems. 3M provides approximately 90% of coding system services for hospitals in the United States. There is no market competition in the area of coding systems for hospitals. Total contract cost is \$591,150.

d. UNMH – Prescyse Solutions. Steve McKernan and Bruce Cherrin made the presentation. This company assists UNMH in transitioning to electronic medical transcription and processes. Contract cost ranges from \$500,000 to \$650,000, depending on need.

Jerry Geist moved to approve a. – d., and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

6. Approval of Resolution to Reallocate UNM 2005 Bond Proceeds. Andrew Cullen made the presentation. As was the case with the three allocations to 2007 bond proceeds, the state of the economy has resulted in a favorable bid climate in the construction industry. An example of this is the construction of the Science and Math Learning Center, which was bid below the budgeted amount. There is approximately \$1 million that can be reallocated to complete this project as proposed. Regent approval is required to reallocate bond proceeds to two categories: phase one of two for the Chemistry building, and the Arts and Sciences Center renovation of backfill projects in the Humanities facilities. **Regent Gallegos moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

- 7. Approval of Appointment to the Sandoval Regional Medical Center Board.** Steve McKernan made the presentation. The Hospital Board of Trustees recommended the appointment of Jerry Geist to the Sandoval Regional Medical Center Board. **Regent Koch moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
- 8. Approval to Create a Quasi Endowment Fund and Move Funds to the UNM Foundation.** John Wills made the presentation. Professor Wills was appointed chair to the Anesthesiology Department in 2002. Through the recruitment and retaining of faculty and through the development of a strong residency program, Professor Wills has achieved the goal of bringing stability to the department: Faculty has increased by 32%; productivity has gone up 91%; the collection rate has gone up 134%; and the service provided has been excellent. The residency program last year had no citations by the ACGME. However, the research mission needs to be consolidated to include tenure faculty. Currently there are no tenure faculties. It is important to recruit tenure faculty and the quasi endowment will assist the Anesthesiology Department in this effort. **Regent Koch 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 Resolution between UNM and NM Finance Authority for Drinking Water Revolving Loan Fund.** Steve Beffort and Patrick Apodaca made the presentation. Last month the stimulus fund grant was approved for this project. The University is obligated to pay \$317,140 of the total stimulus subsidized fund amount of \$1.5 million. The completion of the project requires Regent approval of a resolution that outlines the University's obligation in this process. The resolution has typical terms. A fund will be created that will be used to repay that amount. The source of fund is the Water Users Fund of the University. In response to Regent inquiry, the fund will be repaid with pledge revenue derived from a surcharge on utility rates that is calculated based on individual department repairs and improvements. The percentages differ by particular utility, and individual UNM departments pay utility charges through department indexes. The loan would be on pledged revenue coming from this Fund. In response to Regent inquiry, the interest is 1%. **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.**
- 10. Approval of Amendment to Lease for Center for Development and Disability, located at 2300 and 2340 Menaul NE.** Kim Murphy, Tom Neal and Dr. Cate McClain made the presentation. Regent approval is required to amend a lease for the Center for Development and Disability to add 7,500 sq. ft. to the existing lease. The current lease for 29,814 sq. ft. expires in November 2010. The lease rate is \$14.20 per sq. ft , which equates to \$425,000 per month. The landlord pays all operating expenses. The lease amendment would increase the sq. footage by 7,500 sq. ft. The landlord has agreed to grant six months of free rent for this space with the amendment. In response to Regent inquiry, the Center for Development and Disability provides services for people with developmental disabilities in the community. The Center hopes to acquire more space in order to keep up with expansion due to program growth and success. Plans are in process to move this program back on campus, which is an effort currently on the HSC Master Plan priority list. **Regent Koch moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**
- 11. Approval of Recommendations from Lobo Development Corp. on Preliminary Materials for UNM South Campus Housing from American Campus Communities.** Kim Murphy, Jamie Wilhelm, Mark Rogers, Gary Todd, and Matt Stein made the presentation. The Lobo Development

Board recommends Regent approval of preliminary materials for the South Campus housing project proposed by ACC in conjunction with UNM. The Board of Regents approved the master agreement on Sept 29, 2009; since then the UNM team has been working closely with ACC on negotiation of provided materials. The materials represent the concept approval for component one of three phases for the housing project. Approval of site will follow this step, and ground lease negotiations will be brought forward to the Regents in March 2010. In the past 60 days, this project has been discussed with UNM and the City community leaders. The project has been met with unanimous support and approval from both UNM and surrounding communities. The communication has been open and the process transparent. The Lobo Development Board met on Nov 18, 2009, and reviewed the materials. Concerns and issues were raised and ACC came back on Dec 3, 2009, to address the issues discussed. ACC made the presentation of preliminary materials. ACC has conducted thorough market analysis to ensure affordability is cost appropriate for students. In response to Regent inquiry, there are two components of monetary benefits involved in this project: ground rent and development opportunities. When combining these two economic benefits, the University will obtain the property at \$0.66/sq. ft., which is significantly below market value. In response to Regent inquiry, on Dec. 3, 2009 Lobo Development was presented with some additional language about some specific steps the University might take to mitigate a potential challenge to the existing tax exemption. The language was removed because it was too specific dealing with the possibility of imposition of property tax. Through the master agreement, the University supports the tax exemption and protections are in place in the case that it is challenged. **Regent Koch moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

12. Approval of Naming Request for the HSC Interdisciplinary Education Center (phase II). Breda Bova made the presentation. The Naming Committee requests Regent approval to name the center, "Leonard M. Naopolitano Ph.D., Anatomical Education Center." **Regent Koch moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**

13. Recommendations for Consent Agenda Items on full Board of Regents Agenda. Don Chalmers recommended items 3, 4, 5, 7, 8, 9, and 10 to be placed on the Consent Agenda.

INFORMATION ITEMS:

14. Monthly Consolidated Financial Report. Ava Lovell made the presentation.

15. Capital Projects Monthly Status Report. Steve Beffort made the presentation.

17. University Business Policies and Procedures (UBPP) 7000: Main and Branch Campuses, FYE 2009. Andrew Cullen made the presentation.

18. Sandoval Regional Medical Center Board. Steve McKernan 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 12:00 p.m., and Regent Sanchez seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.