

**THE UNIVERSITY OF NEW MEXICO**  
**Board of Regents' Finance and Facilities Committee (F&F)**  
**July 21, 2015 – Special Meeting**  
**Meeting Summary**

**Committee Members Present:** Regent Jamie Koch, Regent Robert Doughty, and Regent Marron Lee

**Committee Members Absent:** None

**Non-voting Members Present:** Regent Ryan Berryman (telephonically)

**Other Attendees:** Chaouki Abdallah, Provost/EVP for Academic Affairs; **Dorothy Anderson**, Human Resources; **Carol Bernhard**, COE & FSBC; **Cinnamon Blair**, Communications & Marketing; **Doug Brown**, ASM; **Danelle Callan**, FCM; **Steve Carr**, UCAM; **Joe Cecchi**, School of Engineering; **Bruce Cherrin**, Purchasing; **Mary Clark**, Staff Council; **Amy Coburn**, PDC; **Julie Coonrod**, Graduate Studies; **Andrew Cullen**, Planning, Budget & Analysis; **Crystal Davis**, Staff Council; **Renee Delgado-Riley**, Staff Council; **Pamina Deutsch**, Policy Office; **Robert G. Frank**, UNM President; **Geraldine Forbes-Isais**, SA+P; **Moira Gerety**, IT; **Sara Gurule**, Office of the EVP for Administration; **Rick Henrard**, PDC; **Jenna Hagengruber**, ASUNM; **David W. Harris**, EVP for Administration, COO & CFO; **Ashley Hawney**, Office of the EVP for Administration; **Gene Henley**, School of Public Administration; **Beverly Kloepfel**, SHAC; **Kate Krause**, Honors College and University College; **Zayd Leseman**, SOE; **Lisa Marbury**, Institutional Support Services; **Texanna Martin**, GPSA; **Cenissa Martinez**, Office of the EVP for Administration; **Liz Metzger**, Controller's Office; **Bill Miller**, UNM Retiree Association; **Tom Neale**, Real Estate; **Marc Peceny**, College of Arts and Sciences; **Jodi Perry**, Staff Council; **Kim Pinder**, College of Fine Arts; **Pamela Pyle**, Faculty Senate; **Mallory Reviere**, Regents' Office; **Susan Rhymer**, COE; **Marcos Roybal**, University Services; **Melanie Sparks**, Institutional Support Services; **Carol Stephens**, Retiree Association; **Kevin Stevenson**, Office of the President; **Jasmine Torres**, Staff Council; **Chris Vallejos**, Institutional Support Services; **Craig White**, Anderson School of Management; **Fran Wilkinson**, UL&LS; **Amy Wohlert**, Office of the President; **Steven A. Yourstone**, ASM.

1. **Call to Order and Confirmation of a Quorum.** Chairman Regent Koch called the meeting to order at 9:00 a.m., in the Roberts Room of Scholes Hall and confirmed that a quorum was established.

**ACTION ITEM:**

2. **Finance and Facilities Committee Meeting Summaries: June 9, 2015 and June 26, 2015.** Regent Lee moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

**INFORMATION ITEMS:**

3. **Monthly Consolidated Finance Report.** Liz Metzger made the presentation. Information was provided to the Committee on the Monthly Consolidated Financial Report as of month end May 31, 2015, eleven months into the fiscal year. The consolidated report includes the

Health Sciences Center Clinical Operations, Main Campus, Branch Campuses, and Auxiliaries. There is no Plant/Capital Fund information or Endowment activity in the monthly report. A graph was presented that detailed the consolidated total operations for the University, which was a positive \$26M. Ms. Metzger stated that a bulk of that amount is the Clinical Operations. A graph was presented that detailed Main Campus current operations, which was a negative \$1M balance. Ms. Metzger clarified that the financial report indicates that they are in the red due to the use of one-time funds that were supplanted into the current year budget. Many departments also budget use of reserves or prior year balances for current fiscal year activity, so the negative balance in the report is a reflection of that. A graph was presented that detailed the Instruction and General (I&G) revenues and expenditures. Revenues totaled \$445M and expenditures totaled \$439M. The net of those numbers is \$6M positive. Ms. Metzger clarified that the I&G exhibit is where the pooled tuition is held and where the University receives State Appropriations. All academic department budgets are also reflected in the I&G exhibit.

Regent Koch commented that if the University did not use the Health Benefits Reserve funds to shore up the budget the University would have a deficit of \$4M. Ms. Metzger confirmed that was correct.

Ms. Metzger briefly reviewed the background information of the report. Of the \$6M positive balance represented in the I&G revenues and expenditures, Main Campus reflects a negative balance of \$3M and HSC reflects a \$8.7M surplus. This is the area where the reserves were used to shore up the tuition shortage. At the end of May, Main Campus tuition is 96% of the budget and summer tuition will be reflected in the June report. The Unrestricted Research exhibit was briefly reviewed and is the exhibit where the activities are organized to produce research. At the end of May, Unrestricted Research used balances of \$2.1M and they originally budgeted \$14M so they were well within that budget. The Public Service Exhibit was briefly reviewed and includes activities such as University Press, KNME, and Project ECHO. Ms. Metzger stated that if there is any deficit budget for any exhibit that is a reflection of budgeting prior year balances. The final exhibit which was reviewed was Student Aid and was at \$908K to the good. They did budget a use of balance. Timing is typically a factor with Student Aid as to when the money is distributed for scholarships. All other Auxiliaries and Athletics are at \$2.3M balance to the good.

Information was provided to the Committee on the June report, which was not included in the e-book as the information was preliminary while they worked on closing out the fiscal year. June is the last month of the fiscal year. Ms. Metzger presented a graph on Main Campus information only. As of June 30, 2015, the report reflected a \$6M use of balance, which is spread throughout all of the exhibits. The I&G exhibit was at a \$4.6M use of balance for preliminary June and includes all of the summer tuition, which put the budget to 100%. The June report includes the revised budget after they adjusted for the enrollment decline of the fall. The other exhibits did not reflect any changes or surprises. Athletics is reflecting a positive \$534K which is comprised of fundraising accounts. Debt Service activity and operations for Athletics were all at a break even. All other Auxiliaries were at a break even or what they budgeted for use of balances. Some Auxiliaries were at a higher positive balance as of the end of May, but in June took those positive balances during the fiscal year to move to Plant Fund for capital maintenance.

#### **4. General Discussion of UNM Budget Development Process and Priorities:**

Regent Koch stated that the main reason he called this special meeting was to begin the budget development conversation and involve the Faculty Senate, Deans' Council, and Staff Council. He would also like to come up with a budget process by September which could be added to the Regents' Manual. Historically, the annual Budget Summit went well in developing the budget. Last year, due to a decline in enrollment of 1.5% there was a shortage of tuition and fee revenue which created some problems and led to the use of reserves to cover the budget deficit. This year it was decided to have a 5% hold-back on the budget to have some coverage in case enrollment decreases again. The goal of this meeting was to listen to faculty and staff ideas and concerns and obtain their suggestions regarding the budget and how they would like the Regents and Administration to develop the budget and to understand where all parties are coming from.

##### **A. Discussion of Preliminary FY16 Budget Picture:**

- 1. Enrollment.** Terry Babbitt made the presentation. Information was provided to the Committee on enrollment. The Enrollment Management Division produces enrollment data on a daily basis by several different categories. Enrollment Management provides a general look at most of the tuition driven data. As of July 21, the University was 4-weeks from the beginning of the semester and approximately 30% of our enrollment comes during that time. On years of record enrollment it has been 34%, and on more standard years it is been 29-30%. Mr. Babbitt stated that there is generally a correlation between enrollment and the economy, which tends to make a difference in enrollment patterns.

Mr. Babbitt presented several slides with enrollment data on graphs. The first graph detailed fall semester headcount for the past 2 years as well as fall 2015. Regent Koch wanted the information to show the status of where we've been near record enrollment in 2013. The data presented that from 2013 to 2014 the drop maintained a fairly consistent decrease beginning freshman and returning students throughout the cycle, and particularly the 5 weeks prior to school starting which has been pretty consistent.

There is one dip in the graph before the 5 days prior in 2013 data due to the disenrollment or enrollment cancellation for financial reasons. The enrollment cancellation policy for financial reasons was a policy in place for several years and one week prior to school starting the Bursars Office would drop students who did not make a payment. The Bursars Office recently made a more student friendly policy change that no longer drops students at 5 days prior due to financial reasons. There is no longer erratic enrollment after the 5 day prior, but essentially since pre-registration from the 20 week period they have been tracking almost exactly with last year. Our goal is to meet last year's enrollment, and it has been identical within a half a percent for this year compared to 2014. This is to avoid further budget implications. They are working on developing a longer term strategy for enrollment to bring the numbers back up to 2013.

Mr. Babbitt briefly reviewed a chart that displayed information regarding enrollment by student segment. In total there were 27,889 students enrolled, of which 20,930 were returning students, 3,156 were new freshman, 1,281 were transfer students, 1,165 were graduate and professional students, 925 were re-admitted students, and 432 were non-degree students. Mr. Babbitt stated that they work with Deans within the various schools and colleges to track return rates for students from spring to fall. The Deans communicate with advisement to help students return the following semester.

Provost Abdallah stated that retention and returning students is a major focus in all of the schools and colleges.

President Frank commented that in a difficult market, the university has done a great job in maintaining constant enrollment. The goal is to reach more out of state students with recruiters in California and Arizona.

2. **Housing and Meals.** Chris Vallejos and Melanie Sparks made the presentation. Information was provided to the Committee on UNM Housing and meal plans. Mr. Vallejos stated that they are seeing a slight decline in the housing occupancy from last year. Two years ago, housing had the highest occupancy in 10 years. Housing occupancy went down from 92% in 2013 to 88% in 2014. It is anticipated that housing be at 85% for 2015. Housing has adjusted their budget and has a flexible business model with reserves set aside in case of a decrease in occupancy. The breakeven point for Housing is 79% occupancy. The target for 2015 is an 85% occupancy rate. Any percentage over breakeven gets put into capital for facility improvements, and over the last seven years, they have put \$18M into capital improvements for student housing. This year the main survey critique of student housing was wireless internet. Over the years the wireless was expanded in corridors and common spaces, but today students like to stay in their rooms and want access there. This summer they have invested \$700K into the wireless internet service to retain student occupants. The market for housing has always been freshmen and the University has not had a good matriculation cycle so they are working on that by changing strategies for retention.

Regent Koch inquired about potentially making it mandatory for freshmen that are not from Bernalillo County to live in the dorms. Mr. Vallejos stated that in the past they have looked into that but did not have the capacity to implement that requirement. In order to make a mandatory freshmen live-in requirement they would have to add more rooms on campus, add more parking, and add another dining facility. There is a Housing Master Plan that calls for on campus living of 5,000 beds and currently the University has 4,172 beds so they are 828 beds short. Of the Housing Master Plan, Phase 1 was adding 860 beds on South Campus at Lobo Village and 1,000 beds on Main Campus at Casas del Rio. These dorms are managed by the campus partner American Campus Community (ACC) which built those housing facilities. Currently for student housing, ACC manages 1,860 beds and UNM manages the other 2,312 beds.

There is a Director of Residence Life, Wayne Sullivan, and a team of people that manage the UNM portion of housing.

President Frank stated that it is important to have a higher mass of students living on campus and he would like to have a dialogue on how to make that happen. More students living on campus would help reach the 2020 goal of making UNM a destination University.

Regent Lee inquired if UNM has ever had a requirement for freshmen to live on campus because she recalls a period in the 1980s when many students were not able to live in the dorms. Mr. Vallejos stated that not to his knowledge does he believe there has ever been a freshmen requirement to live on campus.

Regent Koch stated that the lack of beds problem was the reason the University contracted with ACC. The NM Legislature does not fund campus housing and bonding would have a problem, which is why the University went to a private source to meet housing demand.

Regent Lee inquired about the occupancy rate and what types of students by region are occupying these rooms. Mr. Vallejos stated that the occupancy by region is mainly New Mexico residents outside of Bernalillo County, who mostly stay at home.

Ms. Sparks reviewed the housing occupancy comparison information. Data was presented from July 26, 2014 through July 15, 2015 of occupancy. The information portrayed UNM Housing broken down by new contracts, renewals, Student Family Housing. Also included in the data was ACC, with Lobo Village and Casas del Rio. Total housing occupancy in 2014 was 90%. As of July 15, UNM Housing was at 83% and ACC Housing was at 88%, which makes total for all housing at 85% with 3,542 beds occupied out of 4,172 beds. In anticipation for occupancy being down this year, ISS has looked at their expenses for the budget to make sure they can meet their projected budget. Since they do not have full occupancy, Housing has saved on some expenses by not filling all of the staff vacancies, such as RA's. If housing occupancy rises over the next few weeks, they will fill those staff vacancies.

UNM meal plans were briefly reviewed as there is a correlation with student housing and meal plans. Freshmen occupants are required to have meal plans if they live in UNM Housing. Lobo Village occupants are not required to have meal plans because they have full kitchens. Right now they are tracking higher than last year. The website was changed and the students are selecting their meal plan at the same time they are registering for dorms. The contract was just renewed with Chartwells and La Posada has been renovated and is now open 24/7. The food service program was updated and revamped for student occupancy retention efforts. Amenities are constantly being improved to retain student occupants.

3. **5% Hold-Back.** Andrew Cullen made the presentation. Information was presented to the Committee on the 5% hold-back. Mr. Cullen stated that several communications went out from the President's Office regarding the 5% hold-back. The 5% hold-back came about due to the enrollment decline that led to a deficit in the budget that had to be shored up with reserves. Between FY14 and FY15 there was an overall decrease in full time equivalents (FTE) from 29,000 to 27,800. This decrease resulted in a loss of revenue of tuition and fees of \$3.6M. Regent Koch commented that they didn't make any adjustments until later. Mr. Cullen confirmed and stated the 5% hold-back would provide coverage if in fact enrollment declines again. The Administration could have dealt with the enrollment issue earlier when they realized that the fall enrollment was down relatively substantially. There was hope that intersession courses and spring enrollment would make up some ground but it did not, and so it was necessary to rely on balances to shore up the budget.

Regent Koch stated the 5% hold-back is a great way to deal with an enrollment decline situation earlier if one should arise.

Mr. Cullen stated that what the 5% hold-back accomplishes is that it puts people on alert that the I&G budget is mainly affected by enrollment. The Budget Office has allowed departments to budget 100% of their anticipated I&G allocation, but the departments have been put on notice that if there is an enrollment decline, then the actual revenue that they get would be reduced accordingly. This would reduce their expenditure authority for the current fiscal year. The news of flat enrollment is good in that it suggests the University will meet its budgeted target and not have to reduce budgets during this fiscal year. The 21 day census during the middle of September will be key in finding out if the enrollments will match the budgeted dollars.

Regent Koch asked Mr. Cullen to explain how the budget was developed for the new fiscal year.

Mr. Cullen stated that the Main Campus Budget Office primarily looks at the historical dollars that are collected and the revenues collected in the previous fiscal year. A budget projection is done and presented to the Administration as well as the Budget Leadership Team (BLT) as it relates to revenue projection for tuition and fees. They engage with the Enrollment Management Division to understand from them what is anticipated for the upcoming year's enrollment, which is the key driver. If it was anticipated that enrollment would drop by 2%, they would reduce the revenue projections allocations across campus if there were no other incremental revenues. Then the BLT would consider a tuition and fee increase. It is during the budget development process that they understand from the Board of Regents, what might be an acceptable tuition and fee increase. A proposal is generated on how they will expend those tuition and fee dollars.

**B. Faculty Senate Operations Committee.** The Faculty Senate Operations Committee provided comments regarding the general discussion of the UNM Budget Development process and priorities.

Stefan Posse, Faculty Senate President, commented that Faculty Senate has made contact with a lot of constituencies across campus and will continue to meet with people to build a collaborative effort. The Faculty Senate is part of a large enterprise and is in line with the Administration regarding increasing graduation rates, which is a key metric for success and they will continue to work on improving those rates. The Faculty Senate also has the opinion that focusing on top level students will also be a fruitful enterprise towards increasing revenues and the reputation of this institution. They are interested in faculty success in doing everything possible to enable faculty to attract grant funding and obtain other sources of funding to bring forward the mission of the University. The Faculty Senate is engaging now and looking at budget priorities. They have started to review different components of the budget, specifically health benefits, and are interested in equitable and also responsible benefits package for this institution. The Faculty Senate will put together a task force to engage in a meaningful and informed discussion regarding the budget. The goal is to provide as much information to faculty members in order to engage in an informed discussion. The first meeting of the Faculty Senate will be held late August and they will work on developing suggestions regarding the budget process.

Pamela Pyle, Past-President and President-Elect of Faculty Senate, stated that she is in favor of presenting more information earlier to the faculty so they can become more involved. Usually they are informed about what is happening last minute even though we have a membership on the Budget Leadership Team. Ms. Pyle is happy that faculty will be involved in this initial process. She is glad that the Administration is planning something pre-emptively as it does seem odd to only rely on enrollment numbers. It seems like it is a bit of a gamble but she is not sure how the University would adjust that. Ms. Pyle stated that they have a Faculty Senate Budget Committee and they are not being engaged in a way they could be. The committee is chaired by Doug Thomas, from Anderson School of Management, and has 12 members from all over the university with a fiscal interest. Ms. Pyle commented on enrollment and is worried that enrollment would be used as a punitive measure. If enrollment is down in one college one year, that may foil plans that they have for a longer term project, so she believes it should be a trajectory. Lastly, the issue of compensation was discussed and reiterated that faculty and staff are nationally underpaid.

Regent Koch stated that there have been discussions about the Regents possibly setting tuition and fees in December.

Regent Doughty stated that he believes faculty should be more involved in meeting potential students as it may help with enrollment.

**C. Deans' Council.** Deans' Council Leadership provided comments regarding the general discussion of the UNM Budget Development process and priorities. Provost Abdallah provided a brief introduction and stated that the Deans' Council meets every two weeks. There are a lot of differences between the needs of each college and

school. Some colleges have more funded research, but all departments and faculty are engaged in some type of research.

Kim Pinder, Dean of the College of Fine Arts (CFA), addressed the budget discussion as the 5% hold-back plan was not presented to the BLT committee or the Deans until it was presented to the full Board of Regents. Dean Pinder stated that continuing to pull back from I&G budgets will continue to compromise the quality of education, which will inevitably have an effect on enrollment. Every pullback or reduction in budget results in areas that lose funding, most often graduate assistantships. The CFA recruits graduate students but are unable to offer the compensation that these students would like to receive, thus many students decline UNM and go to other institutions. Facilities, which are the responsibility of the college, continue to become compromised to fill budget deficits. Also, many faculty members are feeling a lack of value on campus and many have to prove their value outside of UNM to receive raises or compensation. This is mainly because the compensation that comes internally is not regular, or continual, and mostly not taking place. Regent Koch commented that they are trying to do something to prevent this and work on retaining the 1,000 faculty members employed at UNM.

Joe Cecchi, Dean of the School of Engineering (SOE), commented that he was also a member of the BLT and felt that this year's budget process went better than many other past years. The budget is enormously complex and the landscape of the University is constantly shifting in terms of enrollment projections and revenue projections. Last year the University had an issue with enrollment decline and less state revenue. The BLT worked in an inclusive manner and had representatives from all over campus with very candid discussions and opportunity for all to speak. Graduate education is important for the School of Engineering as they have approximately 880 graduate students, divided between Masters and PhD students. The SOE budget is \$16M in I&G funding, to support the salaries of 107 faculty. SOE receives \$30M in external research funding from various government and private sources. The SOE is research driven in a positive way to impact all phases of education. Over the last five years, the faculty and students of the SOE have disclosed 316 inventions, 128 issued U.S. patents, generated \$11M in revenue for that issued patents, and had 22 startup companies based on issued patents. The SOE receives a lot of grant funding but has issues with the I&G funding for salaries of faculty members, which is a campus-wide problem. But retention of faculty is important for the University.

Kate Krause, Dean of the Honors College and University College, stated that both colleges she is responsible for only serves undergraduate students. The Honors College tries to recruit a broader selection geographically, and has a strong recruiter in California. Many classes offered by the Honors College are in addition to a student's degree plan, these students move in and out of the Honors College as this is not their home college. The Honors College offers enrichment opportunities and study abroad programs. Dean Krause stated that the Honors College brings a lot of interest to the University and their recruitment numbers are up. The credentials are the student ACT scores. The goal is for a freshmen honors class of 450 which they believe they will exceed. The Honors College was established in 2012, and 2013 was the first formal

year. Dean Krause is also responsible for the University College, which serves the other student population of students with particular academic needs that may need additional support. While we have a lot of attention on our best students, the University also focuses to meet the needs of those students from New Mexico who come in and could be successful with some assistance.

Craig White, Interim Dean of the Anderson School of Management (ASM), stated that ASM is different from many of the other colleges as one of the main drivers of their budget is the differential tuition. As a professional school, that has become a key funding source in terms of being able to retain faculty. ASM does not receive enough I&G funding to meet salary requirements so the differential tuition helps pay salaries. It is important for ASM to remain competitive in salaries to attract and retain faculty. AACSP is what ASM uses as a benchmark to stay competitive nationally. One area they are looking at right now regarding the budget process is the budget modeling from ROM and its evolution. ASM would like to see certainty around it if a portion of the budget will be put at risk. What will the metrics be that the colleges will be measured against? Enrollment, research, and other factors may be those metrics. ASM will work on doing a better job of planning and internally spreading our resources to maximize metrics and goals. Also discussed was the issue of reserves and if the schools and colleges will have control over those for future planning. ASM is looking at new agreements, specifically international agreements, and are hoping to expand those in the future to bring in further external students. Advisement is key to the ASM budget and enrollment, and they are working on linking efforts with enrollment management as well.

Marc Peceny, Dean of the College of Arts and Sciences (A&S), has been a faculty member at UNM since 1992 and Dean since 2011. Dean Peceny discussed the unanticipated consequences of success. When he became Dean, the A&S 4-year graduation rate was 12%, 6-year graduation rate was 43%, and third semester retention was 74%. This past year, A&S 4-year graduation rate was 17%, 6-year graduation rate was 49%, and third semester retention was 80%. Every college, school, staff, and faculty member of this University has contributed to that success. An unanticipated consequence of success is that as more students graduate, less are enrolled, and coupled with a decline in freshman enrollment, a budget deficit issue arose. The University needs to look at other places for revenue rather than rely on enrollment growth, because the better the University performs the quicker students graduate and are no longer paying tuition. A&S delivers two-thirds of the undergraduate credit hours, and if A&S fails to help students in their first year it affects all other colleges at UNM. The college has invested a large amount of balances in recurring investments for student success to do a better job by our students and increase institutional success. A&S will still have a \$1.5M budgeted use of balances for the year to come in investments in student success. To depend on enrollment growth while doing a better job of increasing graduation rates, would be something that will potentially run up against a barrier. At this point the University may have to reduce expenditures to reduce the budget deficit. The good news is that these investments in student success have paid off. They are moving towards programs to increase graduate student enrollment as well.

Geraldine Forbes, Dean of the School of Architecture and Planning (SA+P), stated that within SA+P they have Community and Regional Planning, Landscape Architecture, Historic Preservation, and Urban and Regional Design. SA+P involves education on the built environment. Our degrees are professional and licensed degrees and SA+P is the smallest professional school. They have a very small budget; one issue is in entering Assistant Professors begin at \$60K per year. Many of these people are licensed and have advanced degrees and when we search for the best and the brightest it is difficult. You have seen our faculty; they do a lot of work in the City, for the County, and projects statewide. The level of commitment we demand from faculty is very high. They are asked to teach a heavy load, do research, and a lot of service in the State. SA+P's Design Planning Assistance Center is the second oldest in the country. The school is well known throughout the state which has led to support from various Legislators who ask the school to do work for them. It is something they want to do as part of their mission as it gets the students doing work and getting experience, although it requires significant funding. Just like all of the other schools and colleges within UNM, they try to deliver a high quality education with less funding and underpaid faculty. Dean Forbes encourages the Regents to work with Terry Babbitt in maintaining incentives to bring students here and retain great faculty.

**D. Staff Council Leadership.** Staff Council Leadership provided comments regarding the general discussion of the UNM Budget Development process and priorities.

Crystal Davis, Unit Administrator 2 with African American Studies and Staff Council President, thanked the Regents for including staff in the conversation as staff often gets overlooked. Staff at UNM encompasses a lot of people, from custodial to director positions. In regards to the budget process, the functionality of the process as well as the calendar is seen as an issue for staff, because it is not conducive to building and providing an accurate budget. Ms. Davis likes the idea of beginning the timeline earlier and believes it would be helpful for staff to get the information into the budget system earlier. There are also issues regarding research funding and the difficulty in predicting the amount of spending as many departments are not sure when they will get their awards. Staff Council also has an issue with how information is provided. Last year it felt like they were being very reactive to what was going on in the budget process and staff didn't have a lot of input. Information was provided last minute and responses were requested without the opportunity for engagement of their constituents. Staff Council would like more involvement on front end of the budget discussions. Ms. Davis stated that compensation is a large issue for staff and they would like not only cost of living increases to be considered but also merit based compensation increases. More comprehensive performance evaluations that are more holistic would aid in allowing for merit based increases. Finally, they would like more data on staff regarding retention rates and the amount of people in various positions.

Renee Delgado-Riley, Program Planning Officer with CEOP, commented that many staff play multiple roles within the intuition. Some are teaching university studies classes, doing research, and supporting the overall mission of the University. Many staff are staff as students and taking courses towards higher degrees. Ms. Delgado-Riley stated that a lot of our staff are obtaining higher degrees and there is nothing in

the current position classifications that would incentivize that. That would be an area that Staff Council would like addressed.

Mary Clark, Manager of UNM Sustainability with Physical Plant Department (PPD) and two-time former Staff Council President, commented that in addition to getting a formal education, there should be a process that allows staff to pursue a lot of professional development. Specifically for PPD, it would be beneficial to send staff to CNM to obtain certificates and be able to advance. There are other types of professional development and trainings that staff could get to advance. If the University supports staff and allows them to get professional development then many will remain at UNM for 20-30 years, rather than gaining some skills and leaving after only a few years of service at UNM.

Regent Koch suggested that they put something in writing regarding the professional development so it can be looked at further.

Gene Henley, Director of Operations and Advisement for the School of Public Administration and Former Staff Council President, commented that during his time as Staff Council President, the biggest issue was dealing with maintenance of our benefits and compensation. Staff is aware of the gradual erosion of some of the benefits, whether it is in health care or other things. The average salary at UNM is about \$45K per year, but there is a significant percentage of our staff who make well under \$30K. The University needs to look into a compensation plan that has two components, one that recognizes just the basic costs of living which goes up every year and a merit-based component.

Regent Koch commented that the minimum wage was raised by the Board of Regents and is now a little over \$10. Lower paid employees get a larger subsidy on their medical insurance as a larger percentage is paid by the University.

Danelle Callan, Program Manager with Family Community Medicine, commented that she greatly enjoys working for UNM and was able to obtain her graduate degree from UNM as staff as students. One thing she has seen over time is the continual decrease of the benefits package for staff. The cost of living continues to increase and without compensation increases it is difficult to retain quality staff and stay competitive.

Jodi Perry, Dept Administrator R1 with the College of Pharmacy's Pharmaceutical Sciences, commented specifically on the budget process and stated that the HSC has a great system as they report semi-annually to their departments. This is beneficial to avoid budget deficits and there is also a clear avenue on how to request additional funding for the following year. Ms. Perry stated that the Administration needs to begin looking at new and innovative ways of bringing in revenue while keeping up with the changing environment.

Jasmine Torres, Administrative Assistant II with the Department of Chemical and Biological Engineering and Department of Nuclear Engineering, commented that research is extremely important to our students, faculty, and budget. She would like

for the Regents to consider their proposed changes to the way research and emergency funding is handled to enable departments to continue research without interruption.

Regent Lee inquired about how the University would do a more holistic performance review of staff.

Ms. Davis stated that they would like to see a way to measure staff community engagement as well as grant writing and research. The current review is more like a checklist and does not allow for continual feedback.

Ms. Delgado-Riley also emphasized the importance of 360 evaluations for management and leadership.

5. **Capital Project Discussion.** Chris Vallejos, Lisa Marbury, Amy Coburn, Dean Mark Peceny, and Dr. Steven Yourstone made the presentation. Information was presented to the Committee on three of the University's capital project priorities. Mr. Vallejos stated that presentations will be made on the need for additional and new space for the Physics and Astronomy Building, Anderson School of Management, and Johnson Center. It is very important for our University to engage and maintain its facilities as a flagship institution, because that is how to recruit and retain outstanding faculty and students. Ms. Marbury stated that they have assembled a task force to ensure they are engaging with student leadership to inform them and gain their input on the various capital projects, which is an ongoing process.

- A. **Physics and Astronomy and Interdisciplinary Sciences.** Dean Mark Peceny made the presentation. Information was presented to the Committee on the Physics and Astronomy and Interdisciplinary Sciences capital project. Dean Peceny stated that the Department of Physics and Astronomy has world class faculty that are working in facilities that are far from world class, but they somehow manage to do extraordinary scholarship. They train 100 graduate students and a large number of majors. There are not a lot of undergraduate Physics majors in the nation, but UNM has twice as many on a per-capita basis than other universities in the country. Scholars are doing cutting edge research on Optics, Quantum Information, Radio Astronomy, and Subatomic Physics. Anyone who walks into the current Physics and Astronomy building can clearly see the need for a new facility. It is not just the aesthetics of the building, but the type of research that people are doing today cannot actually be done in the existing space. The Physics and Astronomy department has had difficulty hiring faculty who are doing experimental work because the space is not conducive to their research and does not have the capabilities they need.

Dean Peceny stated that in addition to building a new space for the existing work that is going on in the Department of Physics and Astronomy, they would like to take advantage of the opportunity to build an interdisciplinary scientific facility to create collaborative teams and have resources that benefit students and faculty among other science disciplines. The proposed Physics and Astronomy and Interdisciplinary Sciences building is a space that would house Genomics and Bio Semantics to do cutting edge research on genetic change that will also connect the work of biologists. The idea is to connect these different sciences with this facility, which will have new

resources and capabilities to expand the great research of the University's faculty and students. Creating an interdisciplinary sciences building will bring all of these things that complement one another into the same space, including Anthropologists, Biologists, Chemists, and Physicists together to do extraordinary work. The facility would be something that would advance research in a variety of dimensions and dramatically increase the University's ability to get sponsored research. This will also allow for undergraduates to gain hands on experience working with world class scholars on cutting edge research which is transformative for students.

Amy Coburn provided information on the logistics for the Physics and Astronomy and Interdisciplinary Science building. The Planning, Design, and Construction team have been working with the excellent faculty and staff who support these programs to codify the needs as defined based on their scientific pursuits. To extract out the type of physical program space needs they have, a pre-programming needs assessment will be done with various information to pursue a comprehensive architectural and engineering team for the development of the project. The project budget is \$66M and is anticipated to be 137,000 gross square feet beginning this fall through 2019. The identified site is the Reservoir Site, which the University is pursuing the purchase of.

**B. Anderson School of Management.** Dr. Steven Yourstone made the presentation. Information was provided to the Committee on the Anderson School of Management (ASM) capital project. The facilities for the Anderson School of Management were award winning facilities that were completed in 1968 by architect John Reed. Overtime, the world of business has changed and the current facilities do not represent the type of buildings that business leaders and business students expect, and they are seen as a let down by undergraduate and graduate students. ASM is leading in thought and research but not with the current facilities. The exterior walls are not insulated and they have single pane windows. If renovations were done on the facility, the cost for windows would be equivalent to 70% of the cost of brand new construction, which HED has a 50% threshold of. Walls cannot be moved because they are structural and the building would lose lateral stability and it needs significant seismic upgrades. ASM also experiences difficulty in attracting faculty because many choose schools with better facilities such as Arizona State or the University of Wyoming. The model of education has changed significantly and buildings, like the new Collaborative Teaching and Learning Building, have learning studios and flexible learning spaces that promote collaborative education. This allows for students and faculty to work together and build knowledge rather than being lectured at. This is something that current ASM facilities do not have, and in general lack in critical group meeting spaces. ASM is significantly smaller than NMSU and peer schools. There are approximately 45 part-time adjunct faculty who share two offices and 45 graduate assistants who share two offices. There are no emeriti offices. Advisors have also been displaced from their offices for recruiters.

Dr. Yourstone stated that on the monetary side, ASM has \$6M towards the new building, which was a gift from the McKinnon family over five years ago who also donated to Athletics. There is significant potential for more money perhaps from private donors who've expressed interest in the project. The McKinnon family would be named after Phase 1, which will be 65,000 gross square feet. The total budget for

the project is \$25M and the building will be four stories. They are hoping for the remainder of the funds to come from institutional bonds. ASM has already done a needs-assessment on the building and have a document on what will go into the structure. A conceptualization was done and was a rendering of the building which will be designed once an architectural firm is selected. The Physical Plant Department estimated that the new building would save roughly 40% in utility costs.

Regent Koch stated that the business school was named after Robert O. Anderson with the hopes that the University would receive a donation but did not. He inquired if the son of Robert O. Anderson would be interested in donating to the project. Doug Brown provided clarification that Robert O. Anderson was approached by the University regarding a potential naming and donation, but he stated that he mainly only supports the University of Chicago and Los Angeles County Art Museum. Despite that, the University decided to name the business school after Robert O. Anderson due to his prominence in business.

Regent Koch inquired if a potential donor provided large amount of funding if the school could be renamed after that donor. Mr. Brown stated that he didn't believe it would be a problem. He also stated that the funds the McKinnon family gave to the University have not been put to use yet and it has been five years. The family gave a similar amount to Occidental College and that building at Occidental College is built and students are using it, while we are still discussing the project. Dr. Yourstone stated that they are very positive and that when they get Phase 1 up, that will generate more excitement and to help in obtaining funding for Phase 2. Amy Coburn added that the building will in part take over the current parking lot to create a substantial project adjacent to the existing building.

**C. Johnson Center Expansion.** Lisa Marbury made the presentation. Information was provided to the Committee on the Johnson Center Expansion capital project. Johnson Center is a very complex building because there are multiple programs which are housed within this facility. Mr. Vallejos stated that just as it is important to have world class facilities for our academic and research mission, it is also very important to have certain amenities that serve the student population. A wellness center is a very important amenity for students on campus. One of the UNM 2020 goals is for the University to become a destination university and students will stay on campus if these amenities meet their needs. Many students are leaving campus to go to offsite wellness and recreational centers. The University's current recreational facility, Johnson Center, is very inefficient and has been pieced together over the last 30-40 years. When looking at proformas, efficiency and effectiveness are two important metrics. Johnson Center was built in 1957 and has a three-prong mission, to conduct open recreation, classroom instruction, and house the Volleyball Athletic Program. They need to find a balance to perform well on all three areas. When looking at retaining and recruiting new students, the Johnson Center is not a great place to sell prospective students and their parents on the University.

Ms. Coburn discussed briefly the transformation process for the Johnson Center. There is a fixed amount of money to work with so they will work on expanding and renovating the existing structure. The project outline was discussed and will expand

and renew the existing Johnson Center providing modern recreational facilities. The project will provide significant renovated space and new program space at the South East corner of the existing 60,000 square feet. The expansion and renewal will connect Cornell Mall to Johnson Field. There will be improvements made to building entries and exits for ease of access. This project presents several physical plant challenges to create a better physical solution. The total project gross square footage for Johnson Center expansion and renewal is 121,000 gross square feet and the estimated project budget is \$35M. The schedule for the project will run from June 2015 through April 2019. The expansion and renewal will encompass new features, which include an open atrium lobby, rock climbing wall, gymnasium courts, recruitment centers, outdoor rentals, indoor running track, rooftop terrace, event space, and more multi-purpose rooms.

Student Government Leaders, Texanna Martin from GPSA and Jenna Hagengruber from ASUNM, commented that they would like to continue to be involved in the discussion regarding the Johnson Center expansion and renewal so they can take the information back to their constituents to inform them and gain their support.

President Frank supports all three capital projects and stated that they are important for the University's mission. They will benefit faculty and student success and are much needed. The buildings will be great additions to the University in the future.

In response to Regent inquiry on funding sources for the capital projects, EVP Harris stated that there are multiple funding sources. ASM has received some private funding. He believes there is some opportunity for GO Bonding, particularly for the Physics and Astronomy and Interdisciplinary Sciences building. There may also be the opportunity for institutional bonding for the Johnson Center and potential funding contributions from employees. For bonding, these projects need to be done all at once as the cost of issuance would be prohibited if the projects were segregated.

### **ACTION ITEM:**

- 6. Approval of Disposition of Surplus Property for Main Campus on List Dated 6/26/2015.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus on list dated June 26, 2015. There were 5 items on June's disposition, none with net book value. Mr. Cherrin provided an update on the Espresso Book Machine, which was approved for surplus in June 2015. The item went to surplus auction and was believed to sell for \$8K but actually sold for \$14K.

Regent Lee inquired about a piece of art that was on the UNMH Surplus list and asked if Mr. Cherrin had any information regarding the title or artist of that painting. Mr. Cherrin stated that UNMH items do not go before him for review but he will obtain that information for Regent Lee. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed as a consent item by unanimous vote with a quorum of committee members present and voting.**

- 7. Discussion and Possible Approval of Proposed New Policy Language on the Self-Insurance Reserve Fund.** Dorothy Anderson, VP for Human Resources, and Pamina

Deutsch, Director of University Policy & Administrative Planning, made the presentation. Regents' approval was requested for the proposed new policy language on the Self-Insurance Reserve Fund.

Ms. Anderson stated at the June 26 F&F meeting HR provided a high level summary regarding the history of UNM's Health Benefits Program. A binder was created with all of the comprehensive information and will be provided to the Regents as well as Faculty Senate and Staff Council. The information will also be available on the HR website. It was recommended that the policy regarding the use of health insurance reserves be amended. When the health insurance reserve was used in January to offset the I&G budget, there were a number of questions regarding the appropriateness of that decision and if it was legal, and the transparency of doing that. HR worked with external legal counsel and received a position statement that stated the University was in line with the decision to use the health insurance reserves and there was nothing inappropriate. Part of the guidance from the external legal counsel was to create a policy that was approved by the Board so that in the future there would be a clear understanding of how the general reserve could be used. Ms. Deutsch from the Policy Office has been working on those policy changes.

Ms. Deutsch commented on her changes to the policy regarding the health insurance reserve fund. The section on the health insurance reserve was added to an existing policy in the Regents' Policy Manual, Section 7.14, Risk Management and Insurance. Ms. Deutsch rearranged the policy slightly to put all of the information under Section 1, Safety and Loss Prevention Program. Language was added to clarify the current situation on retiree health benefits. Section 2.1 and 2.2 is the reserve section and includes language that comes in large part from two legal opinions that were received by Rodey Firm in 2010, and Aon in 2015.

Section 2.1, Reserve Fund Maintained for Self-Insurance Plan, discussed the University maintaining a reserve for its self-insured health prescription drug and dental benefits and the third party administrators have been contracted with to process claims. In addition to the claims payments and administrative costs, there are some other uses mentioned for the reserve fund. The reserve fund is divided into three components which include, the incurred but not reported reserve (IBNR), the claims fluctuation reserve (CFR), and a general reserve. The IBNR is maintained to fund terminal liabilities in the event that the self-funded plan or any subset of it, were to cease. The amount of the IBNR is calculated and certified annually by an Independent Healthcare Actuary. The CFR provides budget certainty to any given fiscal year should actual costs exceed the expected amounts. The amount of the CFR is calculated to reflect a percentage of budget certainty between 50-100%. The General Reserve represents any funds that exceed the combined IBNR and CFR reserves, and may include interest earnings or earnings created by the reserve in general.

Section 2.2 details the use of this general reserve component of the self-insurance reserve fund. The section states that, from time to time, the Board in its discretion may approve the allocation of funds from the general reserve for other University purposes. Premium amounts paid by covered employees constitute assets of the self-insurance plan, and cannot be used for any other purpose. Unlike the general reserve, the premium amounts can only be used for the purposes of a self-insurance plan. Any interest paid on employees' premiums and other money that exceeds participant contributions form the basis of the

general reserve fund and are considered assets of the University, which may be used for purposes unrelated to the self-insurance plan. Ms. Anderson clarified that 60% of the Health Insurance Reserve comes paid by the University, and 40% is from employees.

Regent Koch stated that the University's actuary will not let those reserves be touched if it would affect the overall costs. The reserves should be used to maintain the University's benefits, but these policy changes will clarify how these reserves could be used in the future.

Regent Koch inquired what the turnover rate for staff is. EVP Harris stated that the staff turnover rate is roughly 15% per year, which is low. Ms. Anderson stated that the staff average years of service is 8.5 years and the average years of service for faculty is 10.41 years. There has also been a steady decrease in the number of retirements.

Mr. Bill Miller, Past-President of the Retiree Association, commented that under Section 2 there is reference to "certain retirees" and he would like clarification in that policy about who these "certain retirees" are as the wording is vague. Ms. Deutsch stated that they are working on clarifying language in various policies as it is complex but they will look into the issue. **Regent Doughty moved to approve and Regent Lee seconded. The motion passed as a consent item 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 6 and 7 to be placed on the full Board of Regents' consent agenda.

**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 and C above were discussed in executive session, and any matters discussed in executive session will, if necessary, be subsequently ratified in the open session of the public meeting.

**Regent Koch moved to adjourn at 12:26 p.m., and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.**