

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
May 9, 2017 – Meeting Summary
REVISED - FINAL

Committee Members Present: Regent President Robert Doughty, Regent Marron Lee, and Regent Tom Clifford.

Committee Members Absent: None.

Administration Present: David W. Harris, EVP for Administration and Craig White, Provost/EVP for Academic Affairs.

Presenters in Attendance: Dana Allen, VP, Alumni Relations; Norma Allen, Director, Planning, Budget, and Analysis; Joe Cecchi, Dean, School of Engineering; Bruce Cherrin, Chief Procurement Officer; John Kennedy, KPMG; Harold Lavender, President-Elect, Alumni Association; James Lewis, President, Alumni Association; Ava Lovell, Senior Executive Office of Finance & Administration, HSC; Liz Metzger, University Controller; Lisa Marbury, Executive Director, ISS; Chris Vallejos, AVP, ISS; George Williford, First Southwest (telephonically); and Amy Wohlert, Chair, UNM Naming Committee.

1. **Call to Order, Confirmation of a Quorum, and Adoption of Agenda.** Chairperson Marron Lee called the meeting to order at 12:30 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. **Regent Doughty moved to adopt the agenda as amended and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

EXECUTIVE SESSION:

- A. Vote to close the meeting and proceed into executive session.

Regent Doughty moved to close the meeting at 12:31 p.m. and proceed into executive session and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

- B. Discussion and determination where appropriate of matters subject to attorney-client privilege pertaining to threatened or pending litigation, *pursuant to Section 10-15-1 H (7), NMSA (1978).*
- C. Vote to re-open the meeting.

Regent Lee moved to re-open the meeting at 1:15 p.m. and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

- D. Certification that only those matters described in paragraph B above were discussed in executive session, and any matter discussed in executive session will, if necessary, be subsequently ratified in the open session of the public meeting.

ACTION ITEMS:

2. **Finance and Facilities Committee Meeting Summary from April 11, 2017. Regent Doughty moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
3. **Approval of Quarterly Financial Certification Report and Monthly Consolidated Financial Report for the Month of March 2017.** Liz Metzger made the presentation. The information presented was included in the agenda eBook. Regents' approval was requested for the Quarterly Financial Certification Report, which is a one-page report including "yes" or "no" questions. The State asks the University to answer each quarter regarding various financial transaction situations; if they answered "yes" to any of the questions, it would be a concern. As of March, they were able to answer "no" to all six questions.

Regent Clifford inquired about the information in the report that stated they are looking at a re-forecasted budget with revisions subject to approval.

Ms. Metzger stated the Quarterly Financial Certification Report is the only approval document. The Monthly Consolidated Financial Report is an informational report only which is presented monthly.

Regent Clifford moved to approve the Quarterly Financial Certification Report and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

Ms. Metzger presented the Monthly Consolidated Financial Report for the month of March 2017, which was an informational item. The information presented was included in the agenda eBook. Two highlighted areas of concern were discussed. The first area was regarding the re-forecasted budget which was reflected in the report. Once the Budget Adjustment Request (BAR) is approved, they will call them the approved revised budgets.

Regent Clifford stated what was confusing is he did not see a comparison to the original budget. He inquired where they were relative to the prior budget.

Ms. Metzger stated that information will be presented under Action Item 4 regarding the BAR. The reason they've included the re-forecasted budget in the report is to show a better comparison of where the actuals as of March are to the final budget for the year.

The second area was related to the Instruction and General (I&G) tuition and fee line item/exhibit. A pie graph depicted that a significant portion of that line item was the pooled tuition, totaling \$129.3M. The small segment was the mandatory student fees that go to the I&G exhibit, totaling \$1.3M. The final "other fees," totaling \$18.9M, are fees that are not pooled and redistributed out such as fees that go directly to the entities that earn them such as the differentials, course fees, extended, or continuing education.

A graph indicating where the University stood at the end of March 31, 2017 on a consolidated basis was presented and UNM reflected a net positive balance of \$20.4M; Main Campus was at \$20M, HSC was at \$168K, and the Branch Campuses were at \$198K. Another graph was

reviewed that illustrated the I&G revenues and expenses; revenues were at \$381M and expenses were at \$358M, a net positive of \$23M. The narrative associated with the report detailed the breakout of the use of balances the different exhibits have budgeted. There has been a use of reserves in total of \$11M budgeted for I&G. Of that, approximately \$5.8M was Main Campus, \$4.6M was Branch Campuses, and \$663K was HSC.

Regent Clifford requested an analysis of the reserves and where that use leaves the balance of the reserves to aid in the budget discussions.

4. **Approval of FY 17 Budget Adjustment Requests (BAR) for Main Campus, HSC, and Branch Campuses.** Norma Allen, Ava Lovell, and Nicole Dopson made the presentation. Regents' approval was requested for the FY 17 Budget Adjustment Request (BAR) for Main Campus, HSC, and Branch Campuses. The BAR is required by the NM Higher Education Department (HED) due on May 1; it was submitted and HED allows for a post-approval. The information presented was included in the agenda eBook.

In May 2016, they submitted their budget for FY 17 original budget. On December 1, 2016 the University was required to submit a mid-year BAR to account for a 5% state appropriation reduction for all of UNM that accounted for \$15.5M. The current BAR reflects all of the changes since December. Budget to actuals are monitored through the monthly financial report, as well as other reports within the Budget Office. They also account for any expenditure authority in the BAR because it is an audit finding if they exceed expenditure authority by exhibit. There are several drivers to the BAR, and it shows changes in revenues/expenditures, use of reserves, and restricted contract and grant activities that weren't known at the beginning of the year that are known now, and any changes in transfers. Overall, their summary of expenditures for each of the campuses, including the HSC and Hospital, from their current approved budget in December 2016 is a 0.4% change in expenditures primarily driven by the bond issue. Capital funds increased by 13.6%, so the bond issue as well as some increase in the hospital is what is driving the overall increase.

Regent Clifford inquired about the \$50M bond proceeds and where those were shown in the report.

Vahid Staples, Budget Officer, stated that they did not reflect the full amount on the report because all of the funds were not going to be expended at one time. The full amount is not budgeted for expenditure, but the overall \$50M is reflected on the revenue side. The expense reflected for capital funds is \$15M. They may not expend the full \$15M as they are working on planning and design, but that will give the University enough expenditure authority, should they need it.

Regent Clifford inquired if the Cancer Center improvements were categorized under plant funds. Ms. Allen stated those Cancer Center improvements would be categorized under transfers.

Overall for Main Campus, the net increase in revenues, transfers, and expenditures is \$77.6M. There are three factors involved in the overall net increase, including a \$55.9M increase with the new \$46M bond issue as well as \$4M local bonds for Valencia Branch

Campus. The final part dealt with the Domenici Education Building Phase III draw down of General Obligation funds.

There was a \$60M increase in transfers due to HSC activity, primarily the Cancer Research Center and Neurosurgery Expansion, also including Foundation transfers to Student Aid. There was a net decrease in expenditures primarily due to the reduced I&G tuition and fee revenue of \$2.1M, which caused the University to pull back additional dollars. Departments have revised their budgets for I&G, Research, and Public Service, and they did a very thorough mid-year budget review in which they asked units to reduce their expenses due to all of the pull backs they have been doing. They have lowered expenditure authority down as well as the Lottery Scholarship. They projected to draw down \$40M this year, but they revised the budget down to \$33.7M for the Lottery Scholarship.

Regent Clifford inquired about the BAR report, specifically the increase/decrease columns.

Ms. Allen stated regarding the Lottery Scholarship, they projected a higher enrollment and due to the tuition increase, they over projected how much they needed to draw down from those funds. They revised that budget. This year, they made a better projection. The Lottery funds are down due to the enrollment decline.

Regent Clifford stated that he preferred looking at the BAR summary page rather than the slides in the future. He inquired about the Cancer Center transfers.

Ms. Lovell stated there have been discussions about facility issues at the Cancer Center. In order to spend, they had to transfer the funds; they are now budgeting to move to plant funds.

Regent Clifford inquired about the \$7M reduction, as the summary page only notes \$2M.

Ms. Allen stated the summary page did not include the breakdowns but it included Extended Learning for \$1.7M and Continuing Education for \$800K. Regent Clifford asked for that information to be updated on the summary page.

Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

5. **Approval of Disposition of Surplus Property for Main Campus for April 2017.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for April 2017. There were 3 items on April's disposition, none with net book value.

Regent Lee inquired if the Pyxis Station was included with the HSC Surplus Disposition. Ava Lovell stated that it could be an older item that was part of HSC.

Regent Clifford inquired if the item was fully depreciated and Mr. Cherrin stated it was fully depreciated and will be put to sale at auction.

Regent Doughty moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

6. **Approval of Capital Project: Physics & Astronomy Interdisciplinary Science (PAIS).** Chris Vallejos and Lisa Marbury made the presentation. Regents' approval was requested for the Physics & Astronomy Interdisciplinary Science (PAIS) capital project.

Regent Lee acknowledged the Administration for developing various options with regard to the Biology Annex, Art Annex, and SHAC. It was the trifecta she has been discussing for the past year and she appreciates the options, but after careful consideration and discussion with other Regents; their original user configuration is the best option and what they will go with. She thanked them for their time and effort.

Mr. Vallejos stated PAIS is the second largest capital project the University will have on its campus; Cancer Center was the first largest. PAIS will be 139,100 gross square feet with a project budget of \$65.7M. There are four funding sources including \$746K from 2014 Severance Tax Bonds, \$700K from 2015 Severance Tax Bonds, \$27M from 2016 General Obligation Bonds, and \$37.3M from 2017 UNM Revenue Bonds.

Ms. Marbury provided a brief update and pointed out that the project does not cross Redondo Road. They are moving ahead quickly and are 35% into design documents. If the Board of Regents approves the capital project, they will then present it to the NM Higher Education Department in June and for final approval to the NM State Board of Finance in July. They will then be able to begin demolition and construction. They will take down the reservoir at the end of July/August.

Regent Clifford inquired why they were seeing the project again and what had changed.

Mr. Vallejos stated it was first presented as part of the bond packet showing which projects would be funded by the bond, but the current approval was for the capital project. Nothing has changed with the project and they are not presenting any new project. A timeline can be provided to the Regents.

Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

7. **Approval of UNM Five-Year Capital Plan.** Chris Vallejos and Lisa Marbury made the presentation. Regents' approval was requested for the UNM Five-Year Capital Plan. The information presented was included in the agenda eBook.

The Five-Year Capital Outlay Funding Plan is a requirement from the New Mexico Higher Education Department (HED) in the specific format each year. The process for UNM involves meeting with various constituent groups including Athletics, Academic Affairs, and other areas on campus to inquire what their priorities are for the next five years as it relates to capital requests. A comprehensive list is then compiled on a specific form provided by HED and it is presented to the Administration for their review and approval. It then gets presented to the Board of Regents for approval, and finally submitted to the State of New Mexico. In July, HED holds their Summer Hearings and at those meetings the University, and all other higher education institutions in New Mexico, will present conceptual ideas for top priorities. For FY 18, they are coming up on a General Obligation Bond year, which is

when they can request General Obligation dollars. Last year, when they presented the capital plan, they had a \$1M request because they were going after Severance Tax Bond funding for things such as classroom infrastructure. The Five-Year Capital Plan is similar to a wish list that can be fine-tuned as they receive more funding. The Board may see these projects many times, however at this stage it is a list that provides the University's priorities at the current moment.

Regent Clifford stated it is not very useful to see a summary, such as the one presented, without the explanation or general description of the process of how these projects came to the current state they are at. He inquired if they had a facility condition index.

Mr. Vallejos confirmed they have a facility condition index.

Regent Clifford stated that information was not included in the packet and he would like it provided as part of the report so he knows how these buildings rank in their current condition.

Mr. Vallejos stated they have matured that process and have mirrored their facility condition index with the academic and student mission. They then ranked which facilities were most critical to create a portfolio index of facilities. That information was not included in the summary, but that is the process they use as Planning, Design, and Construction group goes out to meet with constituents for capital planning. That information is then compared to their facility condition index.

Regent Clifford would like to see that information before making a decision on the Five-Year Capital Plan. He does not know how these things, other than that general description, come together. He is reluctant to move on the item today without additional background information.

Regent Doughty inquired if there was any deadline associated with submitting the Five-Year Capital Plan to HED.

Ms. Marbury stated the deadline to submit the report to HED is June 1, 2017. The report is in a specific format provided by HED. She wants to ensure it receives Regents' full approval in the format that goes to the State.

Regent Doughty inquired if it would be acceptable if they passed on the item now and, with the requested information, address it at the May 11th Board of Regents meeting.

Regent Clifford stated that given some other things going on this week, it may be too soon.

Regent Lee stated she had several questions regarding the facility condition index and the space allocation space study.

Mr. Vallejos stated the facility index is related to the condition of the building by base standards, and the space allocation is related to how the space is being used in the facility.

Regent Lee inquired if there was a way to combine those two areas; facility condition and space utilization.

Mr. Vallejos stated there is a way to combine those two.

Regent Lee inquired regarding space utilization and if they look into the spaces that are not currently being used in various facilities.

Ms. Marbury stated they look at a building, such as an academic building, and obtain utilization numbers to understand if it is being fully utilized. If that building is having issues, such as ceiling tiles falling down, they move it to a higher priority on the list. If it is a non-academic and non-mission critical such as an administrative office, then it moves down on the list. Academic, Instruction and General, and Research space would be viewed as critical first.

Regent Clifford inquired if that data produced a report which the Regents' could review.

Mr. Vallejos stated they don't have the functionality to create that report as they need to update their space database. In the past, their space utilization database was being updated every four years, typically partnered with our Finance & Administrative (F&A) return, which is important when they do their F&A rate to the federal government on space. They have now changed the culture where they want to mirror the budget process and get the space updated as it changes. They will need to contract out to do a utilization study to see how the University is utilizing space across all campuses, which is critical. The last time a space utilization study was completed was in 2010 and it did not cover all spaces; it is expensive. He believes they also need to review the auxiliary spaces. Space is currently self-reported by departments on how it is being utilized. They have to walk around physically and inspect spaces. The system they are using is called FAMIS; it is verified through their space manager.

Regent Clifford stated that the report is confusing because there are many dates included and inquired if that was related to the planning process.

Ms. Marbury stated the dates on the report depend on where the funding is coming from; the report also contains potential sources of revenue.

Regent Lee stated this is the five-year plan but it can change; it is not binding.

EVP Harris stated that the Five-Year Capital Report comes to the Regents' annually.

Ms. Marbury stated that priorities shift and change on campus.

Regent Clifford stated that when projects come before the State, they will look to the Five-Year Capital Plan to ensure it all aligns.

Mr. Vallejos stated if they look at the overall funding priorities, the first is for renewal and replacement for College of Fine Arts and the second is for Phase II of the Chemistry Building; those are the top two priorities for UNM.

Regent Clifford stated before he votes on that, he needs to see why those are the top priorities. He inquired if they could request a minor delay from HED until after the June meetings. He would like to request a delay from HED.

Ms. Marbury stated she has not requested before but she can certainly do it.

Regent Doughty stated that the University did not have a budget yet.

Regent Doughty moved to table the item until next month and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

8. **Approval of Naming Committee Request to Name Project Search at UNMH “The Nene and Jamie Koch Project Search Training Program at UNM Hospital.”** Dr. Amy Wohlert made the presentation. Regents’ approval was requested for the Naming Committee Request to name Project Search Training Program at UNM Hospital. Information presented was included in the agenda eBook.

Regent Lee stated at the graduation ceremony for Project Search former Regent Jamie Koch was moved to tears; this program is very close to his heart and was his most important legacy at the University.

Regent Doughty also strongly supports it and believes it is appropriate.

9. **Approval of Naming Committee Request for Class I Exterior Space.** Dr. Amy Wohlert made the presentation. Regents’ approval was requested for the Naming Committee Request for Class I Exterior Space. Information presented was included in the agenda eBook.

Regent Doughty stated that Larry Chavez’s contribution to the University of New Mexico is very commendable and the largest to Athletics. It is a wonderful deal which Mr. Chavez and his company stepped up to donate money to UNM.

Regent Lee stated they always appreciate generous New Mexicans such as Mr. Chavez.

Regent Doughty moved to approve action items 8 and 9 together and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

10. **Discussion of Restated Bylaws of the UNM Alumni Association.** Dana Allen, James Lewis, and Harold Lavender made the presentation. Information was presented to the Committee regarding the restated bylaws of the UNM Alumni Association. Information presented was included in the agenda eBook.

Ms. Allen stated that last month, the Alumni Association brought forward a set of restated bylaws reflecting some modernization of operating procedures, as well as some governance changes. At the time, the Committee asked for more time to review the bylaws in detail and come back with questions. James Lewis and Harold Lavender have been working to fine-

tune the document in the past month and she believes they have a version that hopefully receives the Committee's approval.

Regent Lee stated the finalized version will have to be approved by the Alumni Association Board of Directors in June 2017. The Regents can approve it first and she would recommend approval. There were some minor clarifications changes made to the bylaws and were reviewed by several attorneys.

Mr. Lavender stated that he and Regent Lee had a chance to review the bylaws in depth. Henry Rivera put in a lot of time on the bylaws and they ended up with a document both the Alumni Association and the Regents can be satisfied with. The Alumni Association Executive Committee approved these changes and he has no doubt their Board of Directors will approve the document in June 2017. The bylaws do a great job of defining their relationship with the Regent and further quantifying items that were in the MOU. He appreciates the time and effort Regent Lee took to review the document.

Regent Lee stated they have a modern document that reflects the reality of what the Alumni Association is and all of the moving pieces that come together moving them all forward.

Mr. Lewis echoed the same sentiments in regards to what Mr. Lavender conveyed. They undertook the bylaw reviews in June 2016, which has taken a year to refine. He thanked everyone who was involved including Henry Rivera, Rosalyn Nguyen, and the Alumni Association Executive Committee. They were all very responsive to achieve the tasks and obtain input from all involved. He thanked the Regents for being accessible and available to them. They've talked about communication, collaboration, and cooperation, which they achieved through their palatable and workable document they were able to create.

Regent Clifford thanked Regent Lee and the members of the Alumni Association for their work on the document, he appreciated the format presented.

Regent Doughty moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

- 11. Approval of Three STC.UNM Board of Director Reappointments.** Dr. Joe Cecchi presented the item on behalf of Elizabeth Kuuttilla, CEO of STC.UNM. Regents' approval was requested for the three STC.UNM Board of Director Reappointments of Ms. Terri Cole, Dr. Robert Fisher, and Dr. Gregg Mayer; three of the longest serving STC.UNM Board members. These reappointments are for a four-year term beginning July 1, 2017 ending June 30, 2021. The STC.UNM Nominations Committee recommended these reappointments to the Board that approved the nominations on April 28, 2017, subject to Board of Regents' approval. The biographies for each appointment were included in the agenda eBook. All three members are highly engaged and active members.

Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

- 12. Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended action items 2, 3, 5, and 11 to be placed on the full Board of Regents' consent agenda.

Regent Doughty moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

INFORMATION ITEMS:

- 13. Land Grant Permanent Fund Accounting Presentation Update.** Liz Metzger, Vahid Staples, John Kennedy, and George Williford (joined telephonically) made the presentation. Information was presented to the Committee on the Land Grant Permanent Accounting Presentation.

Ms. Metzger introduced the information item, which was based on an issue pending at the State regarding the University's presentation issue in their annually audited financial statements. The information presented was included in the agenda eBook. Mr. Williford provided UNM a one-page memo with thoughts on the pending change in presentation. A copy of a letter from the State Auditor to the Governor was included because it is a decision at the Governor's level as to how this presentation will take place. Lastly, they've included a copy of a letter from the Council of University Presidents (CUP) as to their position. The essence of the situation is whether or not the University's portion of the Land Grant Permanent Fund, which was \$202M at the end of FY 16, will remain as an asset on their balance sheets, if it will be removed, or presented as a roll up at the State level. CUP, as well as Mr. Williford and the Auditor's, indicated there will be repercussions if it is removed from their financials and reported at the State level.

Regent Clifford inquired what the potential issues would be if the assets are restated. The most troubling statement from Mr. Williford's letter was "the resulting calculated leverage ratios would reflect UNM below the current Aa rating category." This is a complex issue.

Mr. Williford spoke to the issue and indicated the University's leverage ratio, which is total financial resources as compared to debt, when checked relative with or without the Land Grant Permanent Fund would fall out of the Aa down into the lower A category. The rating agencies look at a lot of factors including pledged or net revenue coverage, balance sheets, and overall financial health. If you take this balance sheet impact, as well as prior and conceivable budgetary pressure and uncertainty where the State stands, all that taken together, if this transpired, could lead to a downgrade. He spoke to Moody's General Manager about assets held in trust that were show on the books of an entity, and she stated that if those were removed so the net asset position of that entity declined, it would not be perceived favorably but seen as a decline in financial resources.

Regent Clifford stated there are responses to that. It is not clear it materially affects resources. They have the same promises and are the same constitutional beneficiaries of the fund; he thinks there is a good response to those concerns. The State has not decided what they are going to do, but the State Auditor recommends they go this route. The State is trying to get a coherent ~~offer~~ CAFR (Consolidated Annual Financial Report), which is what triggered

this. He believes they need to work with NM Department of Finance and Administration (DFA) on this issue.

Mr. Williford stated that the State Auditor may not be experienced in dealing with a rating agency in particular at an individual level or issue. That may be something they don't appreciate that this, with multiple factors, could have adverse impact on UNM or any institution similarly affected.

Mr. Kennedy stated that either presentation is acceptable at the state-wide coffer level. It can be either all the assets in the one fund, which the 2015 coffer shows, or it can be all the assets in the one fund except for those assets in the enterprise fund in the higher education fund.

Regent Clifford stated that is not what he has heard from the DFA, but it is something they need to work on with the DFA.

EVP Harris stated they need to set up a meeting with the DFA.

Mr. Kennedy has been on the phone with the ~~GASBY~~ GASB (Governmental Accounting Standards Board) and they indicated either presentation is acceptable, because the University is part of the state-wide coffer they can allocate a top down approach and allocate assets in different buckets if they so choose.

COMMENTS:

There were no comments.

Regent Lee moved to adjourn at 2:31 p.m., and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.