

THE UNIVERSITY OF NEW MEXICO
Regents' Finance and Facilities Committee
April 08, 2010 – Meeting Summary

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

Committee Members Absent:

Non-voting Members Present:

Other Attendees:

Elisha Allen, Staff Council; Steve Beffort, Institutional Support Services; Kara Bobroff, Native American Community Academy; Breda Bova, President's Office; Anne K. Brooks, Faculty Senate; Bruce Cherrin, Purchasing; Andrew Cullen, Budget Office; Allan Ettinger, Morgan Stanley Smith Barney; Rachel Felix, EVP Office; Doug Fields, Faculty Senate; Bob Fondino, HSC; Julia Fulghum, VP for Research; Tanya Giddings, Government Relation; Kathy Guimond, Police Department; Diane Gwinn, College of Education; David W. Harris, EVP for Administration, COO and CFO; Miguel Hidalgo, Capital Projects; Art Hull, Native American Community Academy; Craig Johnson, CFC; Mary Kenney, Planning & Campus Development; Merle Kennedy, Staff Council; Lisa Knudsen, GPSA; Ava Lovell, Finance; Daniel Lucey, Ryan Labs Asset Management; Lisa Marbury, Institutional Support Services; Cenissa Martinez, EVP Office; Steve McKernan, UNM Hospitals; Susan McKinsey, Communications & Marketing; Walt Miller, Student Affairs; Yolanda Moya, UNM Policy Office; Kim Murphy, Real Estate; Tom Neale, Real Estate; Bob Notary, Physical Plant Dept.; Michael Polikoff, Planning & Campus Development; Mark Rogers, ACC; Martin Salazar, Albuquerque Journal; Antonio Sanchez, Capital Projects; David J. Schmidly, UNM President; Donna Smith, Safety and Risk Services; Carol Stephens, Policy Office; John Stropp, Foundation; William Turner, Capital Projects; Chris Vallejos, Institutional Support Services; Mary Vosevich, Physical Plant Department; Jamie Jett Walker, Jett Walker, Inc.; Ellen Wenzel, Regents' Office; Jamie Wilhelm, ACC; Anne Yegge, UNM Foundation

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

COMMENTS:

Faculty Senate: Doug Fields reaffirmed his comments made at the budget summit regarding bond debt and debt service. The faculty does not support an increase in student fees. Faculty Senate is concerned about the University's level of debt and discourages further debt. Anne K. Brooks commented on the President's task force for strategic cost containment and expressed satisfaction with the communication efforts and shared governance collaboration. The Faculty Senate encourages these processes to continue with all constituents working together. Regent Chalmers commented that the Regents were also pleased with the strategic task force recommendations and the budget process overall.

Staff Council: Elisha Allen commented on Staff Council's concern about the level of debt and cash balances, especially regarding academic programs. He emphasized the importance of decision-making and how it has an impact on what the University will be able to do in the future.

ACTION ITEMS:

1. Meeting Summary from February 11, 2010. Regent Gallegos moved to approve. Regent Koch seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.
2. Disposition of Surplus Property on list dated March 24, 2010. 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.
3. Approval of Proposed Policy Change for Investment of Operational Funds & Bond Proceeds and Global Fixed Income Investment Advisory Services. Andrew Cullen and Allan Ettinger made the presentation. This request for Regent approval involves modification of Regents Policy 7.21 and the approval also involves the decision to hire a portfolio manager for global fixed income investment advisory services. The 7.21 Regents' policy does not prohibit the investment in global fixed income investment assets; however, the modification would add specific policy language allowing for investment in global fixed income investment.
The reasons for the change are the need for diversification and yield. The University relies on interest earnings to fund part of the basic operational budget. As early as two years ago, the University budgeted \$4.2 million in interest income. That figure was dropped to \$2.2 million this past year. Currently, the University is tracking to earn \$1.2 million, which represents a further drop in revenue. This revenue deficiency will be accounted for by different sources, such as tuition revenue and revenue from lower- than- expected health care costs. However, the University is struggling to earn the yield necessary to build the budget.
To understand the opportunities as it relates to global investment, it is necessary to consider what the U.S has gone through in the last year and a half. The federal government is dealing with record deficits due to stimulus packages, and U.S consumers are suffering from debt exhaustion, a weakened dollar and weak growth prospects. Under these policy proposals, UNM would invest in foreign countries with little debt and high growth prospect. Some of the underlying criteria for investing in foreign debt will be: strong gross domestic product, low debt levels, countries high in natural resources, strong exporters, low trade deficits and strong balance sheets. The University would invest in other countries that have been able to remain much more fiscally stable than the U.S.
Regent Gallegos moved to approve modification to Regents' Policy 7.21, and Jerry Geist seconded with the caveat that there is a review of **PIMCO's performance in one year**. The motion passed by unanimous vote with a quorum of committee members present and voting.
4. Approval of Contracts:
 - 1) Global Fixed Income Investment Advisory Services. Bruce Cherrin made the presentation. In response to Regent inquiry, PIMCO has a 22-year history of returns and UNM will invest \$75 million with PIMCO. Jerry Geist moved to approve. Regent Gallegos seconded with the **caveat that there is a review of PIMCO's performance in one year**. The motion passed by unanimous vote with a quorum of committee members present and voting.
 - 2) ~~UNM Police Department—Security Services~~. Item removed from the agenda.
5. Approval of:
 - 1) Capital Project for Former Architecture Building Backfill. Miguel Hidalgo made the presentation. This project was approved by the committee in December 2009 . The project scope has increased to \$2,456,000, which requires reapproval. The cost of the project increased due to

building upgrades that have been implemented to meet building code requirements. In response to Regent inquiry, these code modifications occurred unexpectedly and were brought to the University's attention in the renovation process. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

- 2) Capital Project for College of Education Travelstead Hall Backfill. Miguel Hidalgo made the presentation. This project includes renovations to 20,000 sq. ft. on the second floor of Travelstead Hall. The improvements include: new flooring, walls, and a space appropriate for the Institute for Professional Development. The total project budget is \$350,000 and is funded by the College of Education department funds. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

In response to Regent inquiry, there is about \$85 million of bond proceeds and \$3.8 million in Cap I funds that will be used by June 1 of the current year and spent on specified projects. The debt service will be drawn down on July 1, 2011. In response to Regent inquiry, all the bond dollars are secure in the bank.

- 3) Capital Project for UNM Dental Residency Educational Facilities Statewide. Miguel Hidalgo made the presentation. This 16,000 sq. ft. project will relocate the UNM dental residency program currently located at Louisiana Boulevard to the UNM Health Sciences Center campus on Camino de Salud. The project is in the construction document phase and is scheduled for bid in the next couple of months. Total project budget is approximately \$9 million. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
- 4) Capital Project for UNM Way-Finding & Signage Plan. Miguel Hidalgo made the presentation. This request for Regent approval involves updates to the standardized building signs, directional signs and campus maps for the UNM campus to increase accessibility and sustainability through a modern user friendly design and low maintenance cost. The campus and planning development has worked with a national consultant to develop the new stand signage system, which will have a positive impact on way-finding for pedestrians and vehicles. In response to Regent inquiry, the existing signs across campus are associated with high maintenance costs and will be replaced. Jerry Geist moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
- 5) ~~Architect Selection for UNM Center for Molecular Discover~~. Item removed from the agenda.
- 6) Capital Project for UNMH Critical Care Wing (CCW), 2 West Anesthesiology Offices Backfill. Miguel Hidalgo and Steve McKernan made the presentation. This project is part of the list of planned backfill projects for UNM Hospitals. Regent Chalmers requested to view the list of backfill projects for UNMH. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
- 7) Architect Selection for UNMH CRTCC Neuroscience Clinic Backfill. Miguel Hidalgo made the presentation. This is a request for Regent approval for the program design and construction documents for the CRTCC facility, which will enclose 28,000 sq. ft. of space. A selection committee reviewed proposals received by New Mexico architects and the firm selected was

Fanning Bard Tatum Architects in Albuquerque, NM. There is also a correction in the request: the project will be funded by the UNM Hospital and not the UNM Medical School. The neuroscience program is expanding and opportunities exist for further development. In response to Regent inquiry, the fee is not implemented on a percentage basis. Jerry Geist moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

6. Approval of Reappointment of Public Member to Lobo Energy, Inc. Board of Directors. Steve Beffort made the presentation. Mr. John Word will be reappointed to the Lobo Energy, Inc. Board of Directors. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
7. Approval of Naming Request for 2811 Campus Blvd. NW – The Huber House. Breda Bova made the presentation. The house at 2811 Campus Blvd. will be named after the late Dr. Bill Huber, a faculty member at UNM and the first dean of University College. Jerry Geist moved to approve and Regent Gallegos seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
8. Approval of:
 - 1) Native American Community Academy (NACA) – Ground Lease. Kim Murphy, Tom Neale and Robert Lucero made the presentation. NACA is a charter school that serves as a pipeline for Native American students to attend UNM. This is a stellar opportunity for UNM to better serve Native American students and ensure their success. The University has had an extended period of discussion with NACA about finding a site proximate to UNM that could accommodate their students and develop programmatic links to the University. The site is located at the UNM Science and Technology park and contains 8.2 acres; however, there is a presence of construction debris. The unknown cost is the removal of the construction debris. The ground lease is for 50 years and annual ground lease payments are based on 9% of the site value as though the uncontrolled fill has been removed. The ground lease will be extended if the cost to remove the debris is higher than the value of the site. In response to Regent inquiry, there is an area at the Science and Technology park where construction dumping has occurred and some of the material is a result of University projects. UNM has contracted for a Phase I environmental report, and no recognizable environmental conditions were found. Paul Roth moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
 - 2) ~~American Campus Communities South Campus Student Housing Ground Lease.~~ Item removed from the agenda
 - 3) Purchase of UNM West Building from Sandia Foundation. Kim Murphy and Tom Neale made the presentation. This request for Regent approval involves the purchase of the first UNM West building used for classrooms and faculty offices. Sandia Foundation built the building with the option to purchase in the future. At the very early stages of this project, there was a discussion on how the University might access gross receipt tax (GRT) revenues that citizens approved for higher education. It was agreed that the city would make funds available on an annual basis, and the University entered into a memorandum of understanding that sets out this specific arrangement. Because the GRT funding is not received in a lump sum and instead is received annually, the University is considering a transaction whereby Lobo Development Corporation will purchase the building through financing from Sandia Foundation. In response to Regent inquiry, Sandia is an entity owned by UNM and this transaction will allow access to the

funds from the GRT. The additional benefit is that UNM gets ownership linked to I&G and BR&R funding formulas to sustain the operations of the facility. Regent Gallegos moved to approve and Suzanne Ortega seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting

- 4) Approval of Quasi Endowment – George Pearl Hall Fund. David W. Harris made the presentation. This is a request for Regent approval to use of \$100,000 as quasi-endowment for enhancements and upgrades to George Pearl Hall, which has been occupied for two years. This approval will allow the building to remain in pristine condition as it faces maintenance challenges. Mr. George Pearl created a group that established a foundation to determine what to do with his assets and a great portion of his assets accrued to the University. This request will divert the money that is named after Mr. Pearl to fund improvements to the building. As a quasi-endowment, the George Pearl funds would remain intact and the earnings from this fund will be used for building maintenance costs. Regent Gallegos 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 Proposed Joint Gift Acceptance and Planned Gift Policies with the UNM Foundation. John Stropp and Anne Yegge made the presentation. These two policies were first approved at the most recent board of trustees meeting in March 2010. The policy has not been upgraded since 1988. The policy upgrade includes revisions to the procedures for gift acceptance to be reviewed by a committee. There will be a separate policy for the category for planned gifts. All planned gifts are those that do not meet the typical gift criteria and will need to be reviewed carefully by people who have expertise. In response to Regent inquiry, there have been problems with these types of gifts in the past and this is an attempt to correct those issues. Regent Gallegos moved to approve and Jerry Geist seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.
10. Recommendations for Consent Agenda Items on full Board of Regents Agenda. Don Chalmers recommended items 2,5,6,7,8,9, and 10 to be placed on the Consent Agenda, with the exception of 4.2, 5.5, and 8.2 as these items were removed from the agenda.

INFORMATION ITEMS:

12. Monthly Consolidated Financial Report. Ava Lovell made the presentation.
13. Capital Projects Monthly Status Report. Steve Beffort 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 10-15-1 H (8), NMSA (1978)*.
- C. Discussion and determination where appropriate of potential purchase, acquisition or disposal of real property *pursuant to Section 10-15-1 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 11:32 a.m., and Regent Sanchez seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.