

**MINUTES OF THE MEETING OF  
THE REGENTS OF THE UNIVERSITY OF NEW MEXICO**

January 11, 2011

Board of Regents Meeting 9:00 a.m. -1:00 p.m.

Student Union Building

Board of Regents Executive Session Luncheon

Cherry Silver Room

**Attendance:**

Regents present:

Raymond G. Sanchez, President  
Jack L. Fortner, Vice President  
Don L. Chalmers  
J.E. "Gene" Gallegos  
James H. Koch  
Cate Wisdom

Regent not present:

Carolyn J. Abeita

President:

Dr. David J. Schmidly

Executive Vice Presidents present:

David Harris, EVP  
Suzanne Ortega, Provost  
Paul Roth, Chancellor

Vice Presidents present:

Eliseo Torres, Vice President, Student Affairs  
Julia Fulghum, Vice President, R&D  
Paul Krebs, Vice President, Athletics  
Helen Gonzales, Vice President for Human Resources  
Ava Lovell, Vice President and Controller  
Josephine Deleon, Vice President, Equity and Inclusion  
Carmen Alvarez Brown, Vice President Enrollment Management  
Stephen McKernan, HSC Vice President, Hospital Operations

University Counsel Present:

Lee Peifer, Interim Sr. Associate University Counsel

Regents' Advisors present:

Richard Wood, President, Faculty Senate  
Merle Kennedy, President, Staff Council  
Lissa Knudsen, President, GPSA  
Lazaro Cardenas, Jr., President, ASUNM

Steve Chreist, President, Alumni Association  
Anne Yegge, Chair, UNM Foundation  
Maria Probasco, President, Parent Association  
Beulah Woodfin, Past-President, for Cynthia Stewart President, Retiree Association

Regent President Sanchez presided and called the meeting to order at 8:53 a.m.

**I. Confirmation of a Quorum: Adoption of the Agenda,** Regent Sanchez.

**II. Approval of Summarized Minutes of the December 14, 2010 BOR Meeting**

**Motion approved** unanimously to approve the minutes (1<sup>st</sup> Chalmers, 2<sup>nd</sup> Wisdom).

Regent Sanchez welcomed Dr. Schmidly back to UNM.

**III. President's Administrative Report,** David Schmidly, President

Dr. Schmidly thanked everyone who sent well wishes and provided support during his convalescence. Dr. Schmidly said, "I certainly want to thank my doctors at the HSC—they did a terrific job. And I certainly want to thank and recognize Paul Roth for the outstanding leadership he provided as Acting President."

Dr. Schmidly invited all to the special reception January 20<sup>th</sup> from 4:30 to 6:00 p.m. to thank Dr. Roth for his hard work and leadership during this time. "Paul not only maintained our momentum but, in my opinion, enhanced it, particularly with regard to some of the shared governance and budget issues that are really important to the faculty. Paul, I personally greatly appreciate your leadership."

Dr. Schmidly announced that he will give a webcast at 2:00 p.m. on January 19<sup>th</sup>. The focus will be on financial issues and on the upcoming session of the New Mexico legislature. There will be places on campus where people who do not have computers can see the webcast. There will also be an opportunity for people to make remarks and ask questions. It will be a reaffirmation of our commitment to academic priorities.

Dr Schmidly reported there are several groups that are working on the budget; the President's Strategic Advisory Team (PSAT), the Provost has a group that has provided a preliminary report on the academic priorities and programs and opportunities for cost containment. She has indicated she will have a final report with budget estimates associated with those recommendations at the end of the week. We have a tuition group that is working on tuition rates as well as tuition policy. That group includes faculty, staff and students, both graduate and undergraduate. The deans have an exercise in which they are looking at the impact of possible budget reductions. That report will be completed in the next couple of weeks.

The plan is to have this all go on-line in January. We have a cost containment group of about eighteen people that are reviewing and synthesizing all these reports, bringing them all together in a coherent set of recommendations. I hope that is completed in early February, that we can use that month to discuss those recommendations and hear from the various stake-holders and, toward the end of February, we will be able to finalize our recommendations. We plan to discuss them in a preliminary fashion with the BOR in March and then bring them in front of the BOR in April.

We have taken a look at the LFC recommendations. Yesterday the DFA and Governor's recommendations came out. Marc Saavedra and David Harris and their groups have been working to compile what those mean to us and that will be factored into our planning as well.

This week there is an IT workshop. We'll be looking at IT budgets and ways to find cost containment within the IT budget.

#### **IV. Comments from Regents' Advisors**

(Reports received are included in the BOR E Book posted on Web Site)

##### Faculty Senate, Richard Wood, President

Dr. Wood welcomed Dr. Schmidly back with best wishes for his continuing recovery. On behalf of the faculty, we'd like to offer our profound thanks to those who stepped in during Dr. Schmidly's medical leave, and that's a broad group of people, and particularly to Paul Roth for his dedicated work in Dr. Schmidly's absence.

Dr. Wood: All of us in the room today are called to one goal in the coming weeks: to protect this institution. The great recession, political pressures, past decisions and other factors have combined to put the University of New Mexico at real risk. We must have no other goal in mind, as faculty, as staff, as students and as administrators, than protecting the university and its core mission. We can no longer pretend that doing so is the same thing as protecting a particular job, a particular discipline, a particular department; or that it's the same thing as following the political dictates of any external constituency. It means making every decision serve the academic mission of the university.

Two examples of what that looks like: on the agenda today is the outline of a plan to address some of the needs of the Department of Chemistry. The failure of Bond D in the recent election ruined the university plan to deal with those infrastructure problems. The College, the Provost, and the Vice Provost for Research have committed funding for faculty lines and start up money, but simply could not find the immediate funding to address the physical needs. Faculty from across campus came together and took the problem to the EVP for Administration. Andrew Cullen and David Harris immediately recognized the need, took it to President Schmidly and developed a plan to come up with funds to address the most immediate needs. Together, we took that urgent situation to

the F&F (Finance and Facilities) Committee of the BOR which also strongly endorsed the urgency of the project and its relationship to our mission. The plan before you today has the full backing of the faculty.

The Faculty Senate had a special meeting to focus on the budget yesterday, with strong participation from the office EVP for Administration, the Office of Planning, Budget and Analysis (OPBA), the office of the Provost, and the office of Governmental Relations. This is the kind of partnership we need to design the 2012 budget.

Regent Sanchez thanked Dr. Wood for bringing the Chemistry matter before the F&F Committee. It was very much appreciated. That's the type of information the BOR needs and we appreciate the way you handled it.

Staff Council, Merle Kennedy, President

In addition to his report, Mr. Kennedy welcomed back Dr. Schmidly and thanked Dr. Roth and the other administrators who stepped in during Dr. Schmidly's absence.

GPSA, Lissa Knudsen, President

Ms. Knudsen commended the administration and Faculty Senate President Wood for the progress made over the last couple years as far as working together. She also commended the administration for focusing on the Chemistry building.

She commented that tuition is a "tax on students." She urged caution in raising tuition and fees. If tuition is raised will the graduation rates be higher? Will there be better advisement? Will it help graduate a skilled workforce? The GPSA has not seen a serious effort to reduce the number of vice presidents. How many associate vice presidents do we have? GPSA is also concerned about the deficit in Athletics. No other department is allowed to run in deficit.

ASUNM, Lazar Cardenas, Jr., President

Welcomed back Dr. Schmidly and commended Dr. Roth and others who filled in while he was gone. Thanked all the constituency groups for working together.

Mr. Cardenas: You can tell everyone is pulling together to solve these problems. I want to report that not only to the BOR, but to the public as well. Every important decision is being made with the input from everyone here at the university. Even though it is bleak right now, I'm very optimistic for the future. I continue to look forward to collaborating with the faculty, the staff, the administrators and everyone here at the university. I look forward to a good year, a prosperous year, and I want to wish everyone a happy new year.

Alumni Association, Steve Chreist, President

In addition to his report, Mr. Chreist welcomed Dr. Schmidly back and thanked Dr. Roth.

Regent Sanchez thanked the association for hosting the receptions for legislators.

UNM Foundation, Anne Yegge, Chair (report in BOR eBook).

In addition to her report, Ms. Yegge welcomed Dr. Schmidly back and thanked Dr. Roth.

Parent Association, Maria Probasco, President

In addition to her report, Ms. Probasco thanked the administration for including parents in several of the cost containment committees.

Retiree Association, Beulah Woodfin, Past-President for Cynthia Stuart

In addition to her report, Ms. Woodfin said that the association strongly opposes cuts to tuition waivers, both for retirees and for current employees.

#### **V. Regent's Comments**

Regent Chalmers welcomed Dr. Schmidly back and added his thanks to Dr. Roth. "A job well done".

Regent Sanchez: The tone today isn't something that just happened overnight. We've been trying to engage people. It started by recognizing we needed more input from everybody involved. There was a survey sent out and I commend President Schmidly and the Provost for pushing that forward. This university is going to survive whatever happens. We are now facing this budget issue. We are looking at what the DFA has recommended, what the LFC has recommended and what the four year institutions, especially the research universities, have been working on. We are not that far apart. In order to resolve the differences, it will require a very positive attitude on the part of everyone, and how we address the issues. We need to shine a light on what we've accomplished at this university. This university is outstanding in so many areas but we can lose sight of that when something adverse occurs. I'm looking forward to the legislative session. It's a challenge, but out of challenges we grow. Regent Sanchez extended the thanks of the Board of Regents to everyone who has worked so hard to establish the cooperation and communication on campus. We face challenges ahead and together we can meet them. Thank you all very much for what you've done in the past and I know you'll continue to do what's best for this university in the future.

#### **VI. Public Comment-Agenda Items (none)**

#### **VII. Lobo Development Corporation, Meeting of the Member, Steven R. Beffort, Secretary/Treasurer, Jason Galloway, Manager, Moss Adams.**

**Motion approved** unanimously to move into the meeting of the Lobo Development Corporation (LDC) (1<sup>st</sup> Koch, 2<sup>nd</sup> Chalmers).

- A. Approval of the Summarized Minutes of the March 20, 2009 Meeting (report in BOR eBook).

**Motion approved** unanimously to approve the minutes (1<sup>st</sup> Koch, 2<sup>nd</sup> Chalmers).

- B. Approval of the FY 2009/2010 Audit (report in BOR eBook).

**Motion approved** unanimously to approve the audit (1<sup>st</sup> Chalmers, 2<sup>nd</sup> Koch).

Mr. Beffort introduced Jason Galloway from Moss Adams. Mr. Galloway stated that it was a clean, unqualified opinion on LDC financial statements.

At Regent Koch's request, Mr. Beffort explained that the articles of incorporation of both LDC and Lobo Energy require an annual meeting of the member, that member being the Regents of UNM who are, in fact, the owners of these two separate, non-profit corporations.

Regent Gallegos asked what the expenses of \$722 thousand dollars were. Mr. Beffort said they are up front expenses for the development of student housing. That number is a little misleading as there was a receivable of \$492 thousand received after year end. In addition to student housing, there were expenses relating to economic development or commercial development that have not yet produced any income. He confirmed to Regent Gallegos that the expenses are "soft costs" such as consultants, attorneys, services.

**VIII. Lobo Energy Inc., Meeting of the Member, Steven R. Beffort, CEO, Jason Galloway, Manager, Moss Adams.**

- A. Motion to open the meeting and approval of the Summarized Minutes of the March 20, 2009 Meeting (report in BOR eBook).

**Motion approved** unanimously to approve the minutes (1<sup>st</sup> Fortner, 2<sup>nd</sup> Wisdom).

- B. Approval of the FY 2009/2010 Audit

**Motion approved** unanimously to approve the audit (1<sup>st</sup> Koch, 2<sup>nd</sup> Fortner).

Mr. Galloway stated that it was a clean, unqualified opinion on Lobo Energy Inc. financial statements.

- C. Energy Conservation Presentation, Steven R. Beffort/Jason M. Strauss (report in BOR eBook)

Mr. Strauss: This information on the past decade of energy conservation at the university is broken down into two concepts; one being production increases with bringing the campus power plant on line, and two, the energy conservation program. Our power plant has reduced energy density (BTU/square foot) by 30%. The energy conservation program has produced net avoided costs of \$4.1 million over the last 30 months. Over a decade the university has grown by 24% but we're using 13% less energy.

Mr. Strauss told Regent Gallegos that there is some room for growth with the current energy generation system but that a second co-generation unit would allow the university to produce more of its own power and reduce its dependence on outside vendors. The co-generation unit that is on-line is used based on the cost of outside power so at times it runs at 100%, at other times less. Regent Chalmers was told that "net avoided costs" is net of all expenses.

The consumption reduction allowed us to postpone the purchase of a \$2.5 million chiller and earned the university several Energy Star awards.

Regent Chalmers asked, "Net avoided costs were net of what expenses?" Mr. Strauss replied, "It is net of all expenses; that is contract payments, that is labor, that is paper, that is net of all the expenses we have."

Regent Chalmers asked if the pro forma going into the contract had been compared to actual. Ms. Strauss stated that Energy Education, Inc. (EEI) said through performance year two we'd be at roughly \$4.3 million. We're at \$4.1 million and some change. He said, "In my opinion, basically the contract is performing as they said it would perform and we're getting the return on investment that was proposed to us." Mr. Strauss told Regent Gallegos that, of the \$2.3 million in the University Total Expenses line, \$1.9 million was paid to the contract during a performance year. Payments will extend through year four. EEI has pledged, in the contract, support through at least a ten year period with no additional payments.

Mr. Strauss said that this success story is the result of leadership by the BOR, efforts of administration, faculty, staff, and students and work by the Physical Plant staff. It is a cultural shift that has happened on campus. It shows what can be achieved if everyone is working for the same thing.

There were no objections to adjournment of the meetings of Lobo Development Corp. and Lobo Energy, Inc. and the meetings were adjourned (1<sup>st</sup> Gallegos, 2<sup>nd</sup>, Wisdom).

## **IX. Regent Committee Reports**

### Finance and Facilities Committee, Regent Don Chalmers, Chair

#### A. Action Items:

1. Approval of Chemistry Department Renovation Project Scope and Financing, Andres Cullen, AVP Budget, David Bear, Interim Dean, Chemistry.

**Motion approved** unanimously to approve the Chemistry Department Project Scope and Financing (1<sup>st</sup> Chalmers, 2<sup>nd</sup> Gallegos).

Provost Ortega introduced Dr. Bear. Dr. Bear expressed gratitude to Dr. Wood and David Harris and their colleagues for their support of this proposal. Dr. Bear: The Department of Chemistry and Chemical Biology has been a separate academic unit since 1913. We've served over 7,000 students from more than 20 academic programs and generated over 16,000 student credit hours. Many of these students apply to UNM Health Sciences programs and virtually all of the students in the College of Engineering take two or more units of chemistry. The biggest limitation to our ability to attract new faculty has been the deteriorated state of our facilities.

B. Consent Items:

**Motion approved** unanimously to approve Consent Items 1, 2 and 3 (1<sup>st</sup> Chalmers, 2<sup>nd</sup> Gallegos)

1. Disposition of Surplus Property on list dated 12/23/2010, Bruce Cherrin, Procurement Officer (report in BOR eBook).
2. Approval of Contracts, Bruce Cherrin, Procurement Officer, Stephen McKernan, CEO UNM Hospital, (reports in BOR eBook):
  - 1) UNMH-Nuance
  - 2) UNMH-Cerner Corporation
  - 3) Office of VP for Research-Kratos Analytic.
3. Approval of Nominations for Hospital Board of Trustees, Stephen McKernan, CEO UNM Hospital, (reports in BOR eBook):

Mr. McKernan noted that both positions are designated. Dr. Warren Laskey is Chief of Cardiology Service at UNM Hospital. He has served as Chief of Staff and it is traditional that after serving as Chief of Staff, that person then serves a two year term as a Trustee.

Mr. McKernan said that Joyce Naseyowma-Chelan was nominated by the All Indian Pueblo Council.  
Chancellor Paul Roth thanked the Regents.

C. Information Items:

4. Monthly Consolidated Financial Report for Month ended October 31, 2010, Ava Lovell, VP, HSC & UNM Controller (report in BOR eBook).



Ms. Lovell: These statements are for one third of the year. For Instruction and General (I&G) we've booked a little over one half of the tuition revenue and we're at more than \$46 million more revenue than expense. Research a little in the hole, due to the HSC gearing up on a large award received last year. In Clinical Operations, all of our patient operations, a little bit worse than break even. UNMH stand alone is \$1.2 million favorable. Public Service is quite favorable at \$4.7 million, partly due to the separation of our fund balances from the Foundation. Our Student Aid is showing unfavorable, but most of that income comes in at the end of the year. Student Activities favorable because we've booked one semester of fees. Auxiliaries and Athletics overall \$600 thousand favorable. The detail of that is Athletics through October is \$3.1 million unfavorable, but we have a lot of revenue still to book—football BCS revenue that come in December and January—and basketball always helps balance these books. Other auxiliaries, the bookstore is very favorable. Public Events big season is from February to April. The Golf Course is still struggling and we are working on that. Parking is doing well, Housing and Student Health are doing well. Sponsored Programs are all of our contracts and grants. We're doing very well in bringing in Federal contracts and grants at the HSC and on Main Campus. Through October we are at \$47 million favorable, being driven by the tuition revenue booked for the fall.

5. CEO Report & Dashboard Report UNM Hospital, Steve McKernan, CEO UNM Hospital (report in BOR eBook).

Academic/Student Affairs & Research Committee, Regent Carolyn J. Abeita, Chair  
(no report)

Audit Committee, Regent Gene Gallegos, Chair

- A. Controller's Highlights of the FY10 Audited Financial Statements, Ava Lovell, VP, HSC & UNM Controller (report in BOR eBook).

Ms. Lovell explained that all component units of UNM are included in these financial statements. UNM is too large for one firm so Moss Adams is the primary auditor. They sign the overall opinion and audit most of the component units. They also do the "Single Audit" which is the audit of all federal funds at the university. KPMG sub-contracts under Moss Adams and they do the hospital, including behavioral health, and the medical group. Using the two firms allows us to keep the auditing in the state.

Ms. Lovell continued: An unqualified opinion is the best you can get. There are no qualifications on the overall UNM financial statements, all unqualified on the component units that Moss Adams does, same on the hospitals and the medical group. On the internal control reports written by the auditors, there are no material weaknesses and no material non-compliances. It was also an

unqualified opinion on the federal funds audit; unqualified, no material weaknesses and no findings.

The Lobo Club has three findings repeated from a prior year and an additional six findings in the current year. There is one current year finding at UNM Hospital on an edit exception and error report. The Cancer Center had a finding on how they were calculating contractual discount versus bad debt. At UNM there were two findings: physical inventory was not correct and there was a small over-expenditure of our budget authority. This was not the fault of the budget office fault. There was a calculation of a GASB 45 amount, which is an “other post-employment benefit.” These are considered observations; they are not over-all financial statement findings.

Ms. Lovell confirmed to Regent Chalmers that the unfunded liability is the present value of the unfunded liability, discounted at 4.5%.

Regent Gallegos stated that the full report came before the Audit Committee. The report has been approved by the committee as well as approved by the State Auditor. The lead audit firm will be rotated for the next audit year; under state regulations this is the last year Moss Adams is eligible.

The report was accepted by the BOR as an information item.

HSC – Health Sciences, Regent Jack Fortner, Chair

- A. Approval of Directors, UNM Medical Group, Inc. (UNMMG), Paul Roth, MD, Chancellor, HSC (report in BOR eBook)

**Motion approved** unanimously to approve the UNM Medical Group directors nominated by Dr. Roth (1<sup>st</sup> Fortner, 2<sup>nd</sup> Wisdom).

(Paul B. Roth, M.D., Carolyn Voss, M.D., Loretta Cordova de Ortega, M.D., Martha McGrew, M.D., Popo Moseley, M.D., Christopher M. Pacheco, Esq., John C. Russell, M.D., Donna M. Sigl, M.D., Chris Taylor, M.D., Thomas M. Williams, M.D., Cheryl L. Willman, M.D.).

Dr. Roth explained that the classes establish a staggered set of members; Class 1 will serve a one year term, Class 2 will serve a two year term and Class 3 will serve a three year term. Subsequently, all directors will serve three year terms.

Dr. Roth said he was honored to have served as Acting President.

**X. Public Comment**

Dr. Richard Wood, President, Faculty Senate: It’s an assumption in our political world that we should be shifting the burden of higher education from the taxpayers and onto the students. I don’t know that that’s a choice New Mexico citizens have made, but that’s what’s driving decision-making in Santa Fe. Is that really what we

want, as faculty, as staff, as students, as regents, as parents of students, as alumni and retirees? Do we really want to go that direction? Challenge yourself, your colleagues and your legislators with that question.

Regent Sanchez said that this BOR has said that that increasing tuition is the last area they want to go to. Some people think that is the only area we can go, but there are other areas that we are working on. Thank you for your comments.

**XI. Adjournment**

Vote to close the meeting and to proceed in Executive Session.

**Motion approved** unanimously to proceed in Executive Session at 10:50 a.m. (1<sup>st</sup> Gallegos, 2<sup>nd</sup> Wisdom).

**X. Executive Session 10:50 a.m. – 12:40 p.m., Cherry Silver Room**

A. Discussion where appropriate of threatened or pending litigation pursuant to Section 10-15-1.H (7) NMSA (1978).

B. Discussion where appropriate of limited personnel matters pursuant to Section 10-15-1.H (2) NMSA (1978).

**XI. Vote to re-open the meeting**

**Motion approved** at 12:40 p.m. to re-open the meeting (1<sup>st</sup> Koch, 2<sup>nd</sup> Fortner).

C. Certification that only those matters described in Agenda item X were discussed in Executive Session. If necessary, final action with regard to those matters will be taken in Open Session.

No action was taken in Executive Session.

**IV. Adjournment.**

**Motion approved** at 12:41 p.m. to adjourn the meeting (Regents Sanchez, Fortner, Koch, Chalmers, Gallegos, Wisdom).

Attachments:

1. Lobo Energy Corp. Audit.
2. Energy Conservation Report (color).
3. Chemistry Department Renovation Project Scope and Financing.
4. UNMMG Directors' Biographies.

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Raymond G. Sanchez, President  
Board of Regents

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Carolyn J. Abeita, Secretary/Treasurer  
Board of Regents

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