

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

**December 18, 2008
Board of Regents Meeting 9:00 a.m. – 11:30 a.m.
Student Union Ballroom B**

ATTENDANCE:

Regents present:

James H. Koch, President
Carolyn Abeita, Secretary-Treasurer
John “Mel” Eaves
Raymond Sanchez
Don Chalmers
Dahlia Dorman, Student Regent
Jack Fortner, Vice President (via conference phone)

President present:

David J. Schmidly

Vice Presidents present:

David Harris, Executive Vice President, CFO, COO
Paul Roth, Executive Vice President, Health Sciences Center
Suzanne Trager-Ortega, Executive Vice President, Provost
Marc Nigliazzo, Vice President, Rio Rancho
Julia Fulgham, Interim Vice President, Research & Development
Eliseo Torres, Vice President, Student Affairs
Steve Beffort, Vice President, Institutional Support Services
Josephine DeLeon, Vice President, Equity and Inclusion
Carmen Alvarez Brown, Vice President, Enrollment Management
Paul Krebs, Vice President, Athletics
Helen Gonzales, Vice President of Human Resources
Ava Lovell, Vice President and Comptroller
John Stropp, President, UNM Foundation
Stephen McKernan, Vice President, Hospital Operations

University Counsel present:

Patrick V. Apodaca, University Counsel

Regents’ Advisors present:

Howard Snell, President, Faculty Senate
Loyola Chastain, President Staff Council
Christopher Ramirez, President, GPSA
Ashley Fate, President, ASUNM
Thelma Domenici, Chair, UNM Foundation

Susan Deese-Roberts, President, Retiree Association
Maria Probasco, President, Parent Association

Regent Koch presided over the meeting and called the meeting to order at 9:00 a.m.

CONFIRMATION OF QUORUM and ADOPTION OF AGENDA, Regent Koch

Motion approved unanimously to adopt today's agenda (1st Koch, 2nd Eaves).

**FY 09 and FY 10 GENERAL FUND REVENUE ESTIMATES AND
IMPLICATIONS FOR UNM, David W. Harris, Executive vice President for
Administration/COO/CFO**

My task today is to attempt to chronicle the numbers of advice that we have received over the past few months about the State's ability to meet its appropriation obligations, both in the current year and in the ensuing fiscal year. So I have written a document that attempts to do that.

Actually, on September 27th at the Joint Regent Meeting in Las Cruces was the first time that we had informed the Regents that the general fund revenue decline could have potential impacts on UNM and all public institutions in the state. What we suggested at that time was that there would be no HB-2 Junior Bill this year and that's a real challenge for us.

Regent Koch – You might want to explain, a lot of people may not know what a HB-2 Junior Bill is.

David Harris - In New Mexico the legislature appropriates most of the money available to it through an omnibus general appropriation act known as HB-2. In the past four years they have adopted a secondary appropriation bill that contains mainly non-recurring appropriations and it has become known as HB-2 Junior. Many of our special projects which total multiple millions of dollars have been contained recently in HB-2 Junior. Now what I am saying does not imply that there will not be special projects but my belief is that they will be embedded in HB-2 again as they have been traditionally.

We had been advised that full formula funding would more than likely be available to higher education in the amount of \$12M to \$14M and that the state was going to have substantially reduced capital funding. What we were told at that time was approximately \$132M. Now the legislature has been appropriating from \$5M to \$800M over the past three of four years for capital funding so this is a substantial decline.

On October 17th Governor Richardson announced formally the revenue decline and his plans to reduce state spending. In that advisory, he also notified higher education

institutions that they should develop a strategy for reducing next year's budget. There was no reference to the current year's budget.

On October 21st the DFA Secretary delivered the preliminary estimate, both for the current fiscal year and for FY10. Within that report she indicated that current year revenues were going to be reduced by \$344M and the estimate for next year will be reduced by \$372M. This is principally attributed to a decline in the values of oil and natural gas.

DFA and HED requested all agencies to review all capital budgets for potential de-authorization during the session. At the direction of the President, did such a review. We identified all capital projects that were funding by the general fund. The criteria that we established in our review was either that the project was complete and there could be a balance remaining - - you cannot spend money except for the legislatively defined purpose, or that there could be some legal difficulties in implementing the appropriation or that the appropriation was insufficient to complete the project. We identified approximately \$1.2M within those criteria and so notified the HED.

On October 29th Senate President Pro-Tem Tim Jennings alerted all university presidents in the state that funding reductions were likely and plans should be executed immediately, both in the current year and in the ensuing fiscal year.

December 8th, just a week ago, the DFA Secretary delivered the final revenue estimate that will be used to form the general appropriation act during this session. She indicated that the preliminary estimate in October was going to be reduced by an additional \$50M in FY09 and FY10.

Clearly there will be fewer dollars available to the general fund, both in the current and ensuing fiscal years. We are being told that this situation could be in place for several fiscal years, not just next fiscal year. The New Mexico Constitution prohibits deficit spending, which may require the legislature to reduce appropriations during the current fiscal year. Plans are currently being formulated and we understand that the Legislative Council this afternoon in Santa Fe is going to be discussing its preliminary plan for reducing the current year appropriations.

While the general fund constitutes a small portion of the total funding for the University of New Mexico, it makes up the major share, along with tuition, of the funds available for the instruction and general support functions of the University. In the face of these indications, President Schmidly has imposed a number of spending restraints until such time that the legislature acts. While it appears that the overall reduction in the current year may be manageable, it is important, in my opinion, that we maintain a certain discipline as next year's appropriation will be a challenge for two reasons. We're not slated to receive new formula funding for enrollment growth - - meaning that our allocation, at best, is going to be flat. We are being told that inflation factors for items such as insurance and utilities or to accommodate the extra space that we have added at

the University are not likely. That was our best hope for securing new funding was in the inflation factors.

We are also being told that it is too early to predict what will happen with compensation but we are being told increases are unlikely.

With that backdrop, the President imposed a number of spending restraints here at the University which I think he would like to detail for you now.

Regent Koch – David, on the financial report - -

David Harris - Ava Lovell just yesterday completed a financial report and she can discuss that with you. You may recall that since we completed the administrative consolidation in 2005 we have produced a monthly financial report for the Regents which had not been accomplished here to for and she is more than happy to step forward and summarize the monthly financial report if you would like to do that now.

Regent Koch – How many people out there are familiar with our consolidated financial report? It is very important that you understand something clearly. We have been producing this every month and you need to get a copy of it because it is accurate. We have been doing this for three to four years. Every Regents' meeting this is available for you all, the public, to look at. It lays out everything that we do, the revenue coming in, what percentage we are at that time. This had never been done before. I do not know another public entity in this state that furnishes every month a complete financial statement. So what I wanted to do is have Ava just briefly explain it and then people need to get a copy of this and they need to look at it very carefully. It tells you exactly where we are. It tells you what percentage we are paying for this, what we budgeted, where we are at this time of the year with that, what percentage, etc.

This is handed out in the Finance and Facilities' meeting and it's handed out in the Regents' meeting. So when I asked for a show of hands, I saw that more than half the individuals in the audience were not aware of this and I understand that. So it's important that you look at it and understand what this tells you. This tells you where we are today just like any business that you run, you need to know where you to date. So Ava, would you briefly explain this to people. We have a lot of new people here and a lot of people might not know. I just saw a show of hands of less than half the people weren't even aware of this. So, would you briefly explain it?

David Harris – Mr. President, financial reporting is complicated and boring to most people and one of the things we have attempted to do this year is to interact with a member of the Faculty Senate, Ann Brooks, who gets it. So it's not just that we're reporting to the Regents, we are actually attempting to disseminate this information to people who know how to interpret it and use it.

Regent Koch – What we're saying is you need to have an opportunity to take a look at it, that's what we're saying. Yes, we need to be very patient with people and those

individuals that don't quite understand it; we need to explain it to them so that you have an idea of what it is. In my business I get a monthly financial statement so I know where I am; where my revenue is, where my expenses are. Here at the University, this had never been done and now we're going on the fourth year of this, I can't name any other public entity in this state that furnishes a monthly financial statement. So would you briefly go through this so that when people get it, so when you look at this statement and have an idea of what it is I think it will help you understand where you are. So Ava would you go through it for us please.

Ava Lovell – Yes sir, Mr. President, members of the Board of Regents, good morning. We have before us our monthly financial statement for the month ending November 20th. That would 42% of our year, five months. We show in the first column of numbers on the left hand side we show our approved operating budget. In the second column is the year to date, actual revenue and expenditures to date. Then we show a variance column, that is budget minus actual. Then we show that benchmark column which shows us 42% of the year has gone by and we can look and see what percentage of either the revenue expenses we have spent or the revenue that has come in and then we analyze that. So the first block of numbers on the left is our instruction in general. That is all of the I&G, that is about 90% main campus, about 10% of Health Sciences business. This report covers the entire University including all the hospitals, Health Science Center, main campus and the branches.

So we budgeted for the current year, '09, a use of balance of \$1.9M. So the Regents approve that budget, there were various reasons why we had some balances left over that either departments or administration said we need to use some of that money. Now our actuals, so far, we are at \$29,940,000 favorable or more revenue than expense. \$29,940,649 favorable right now in our I&G which is more revenue than expenses. So more revenue has come in than we have spent at this point in time.

Regent Koch – I want people to listen very carefully because what happens it seems is that people don't have the right information and people, I can understand very clearly how everybody is concerned about our financial condition, I am, I am concerned with my office, everybody is, we know what is going on country wide. I wanted you to hear that number. The University isn't broke; we're not in financial problems. So if you understand the financial statements you can see where we are coming from. Sorry to interrupt you, go ahead.

Ava Lovell – So why would we have that much favorable right now? Well if we look at our top line, Tuition Revenue and Fees, we'll see that we're at 56% of the budget so we get tuition and fees on a semester basis. The fall semester has been booked so about a little bit more than half of our tuition revenue has been booked. Then the rest of the revenues are more or less coming evenly throughout the year. So we are actually spending down, we get bonus of tuition beginning in the fall and we start spending that down. We spend our salaries and other expenses more evenly, we don't just spend them all at the beginning of the semester, everybody gets paid each month and so forth. So last

month we would have seen about a \$35M favorable there so we spent that down over the month of November to bring it down to almost \$30M.

On research, that is our unrestricted research operations. You can see, we have budgeted a large use of balance there, about \$2M of that use of balance was budgeted at Health Sciences for the last couple months of F&A that came in at the end of last year so we will spend it this year. Then some of the departments on main campus have budgeted some use of balance in their F&A. F&A is the unrestricted research revenue.

However actuals year to date, we are only showing \$111,000 on favorable and that is really over at the Health Sciences. The main campus right now, total unrestricted research, is about \$960,000 favorable. Even though they have budgeted to use those balances they haven't used them yet.

So we will go onto clinical operations, this is all of the operations of the hospitals, all patient care. It's all the hospitals, the physician and Cancer Center are all wrapped up in the clinical operations. We are showing very favorable bottom line here. More revenue than expense at this point in time. We budgeted a favorable bottom line for the year of \$4.755M but we're at \$6.242M. Now the hospital has been full, we've been billing and collecting so things are going pretty well. We do worry as the economy gets worse, as people may lose jobs or people may lose insurance, then our uncompensated care, which means we have the expenses but no revenue coming in, we are worried about that but we have not see it yet.

Regent Koch – Just on your one point, as we go through this all I am trying to do is to bring out a little more the information that I have heard. I heard the other day that somebody said that Paul Roth said that we're going to have lay offs and we're going to close down. That's not happening. What happens is somebody says something and it just gets spread. So Paul, would answer me that question please?

Dr. Paul Roth – The only people that are laid off are my kids from school. They are going on their winter break this week. We have never discussed any lay offs or furloughs. I sent out a rapid public affairs notice to all of our staff because after there was that pronouncement of some sort of rumor, we were getting 50-60 calls to my office. So we quickly made an effort to dispel that rumor. There is absolutely no discussion, intent, thought, dream, fantasy that would ever result in lay offs or furlough.

Regent Koch – So when you look at these numbers, if all of a sudden these numbers were turned around a little bit different in the negative, well there could be a problem. That is why there are these financial statements, people need to get a copy of them, they've got to look at these financial statements and see what they are. And what information you don't have, you need to get it. So go ahead, continue.

Ava Lovell – Again, although our clinical operations are looking favorable right now, we know how quickly that can change so we are being very conservative in our operations.

We'll go down to the next block of numbers, which is our unrestricted public service. This business is about 50%, Health Sciences 50%, main campus, there are a lot of small operations in here, let's say the Pageant of the Bands, things that are funded by fees and some special projects because you'll see some state appropriations on that first line of revenue. We have budgeted to end up with a favorable fund balance and right now we are running also at a favorable fund balance. I think as we go along we have to be very careful because we are in a volatile financial situation in the United States. So we are trying to be conservative and that shows that here in our net revenues.

We'll look at the next one, the independent operation. That is actually the operation of our house staff, training of our residents, resident physicians. Right now they are showing slightly unfavorable at \$61,000 although they have budgeted basically to break even at \$5,700. We do that will break even, right now a timing issue, probably some billings that are behind.

If you go to the top of the second page, we look at our student aid. This is basically all of our scholarships, the lottery scholarships are in here. You can see the revenues at the top. Again, we are showing our gifts that come in for scholarships. Then you'll see the expenditures, other expenses, at about half the year so we have given out scholarships at about half and will continue to do that. You'll see another big hit in January when we issue the financial aid.

Regent Koch – John, how is our fundraising doing so far? Where are we in regards to our fundraising?

John Stropp – Fundraising is right on target actually Mr. Chairman. We had targeted \$95M for the FY09 year and in spite of the recession and the cutbacks across the country, we are right on target at meeting our six month deadline.

Regent Koch – What did we do last year?

John Stropp - \$85M last year.

Regent Koch – So, again, the reason I brought that up is that raising funds like is for scholarships, etc. and so far we are fortunate. Now, this time of year, there are going to be a lot of people that hopefully will want to get some tax credits but it is important to realize as you start listening to these numbers, now it would have been bad if you got up and said well we're 50% behind where we're supposed to be but we're ahead of what we projected on 94, that doesn't mean we're going to hit that. But again, people have to hear that and see where this university is at. If our fundraising is holding where it is, that is a very important number. Now will it stay for the remainder of this year and next year? We don't know. But again, we're ahead of where we are supposed to be.

Ava Lovell - Student activities, that is basically all of ASUNM, all of our club accounts and so forth are in here. Budgeted to use a little bit of their balance at \$20,000, right now running a little more unfavorable, almost \$56,000. They are trying to spend down some of their work study and that kind of thing.

So the next block of numbers is auxiliaries and includes athletics. We can see here in the actuals that they is actually \$3.2M more expense than revenue. So we have detail of that number if we'll go to page three and four, details out our athletics and our auxiliaries.

Regent Koch – Now just a second on the athletics, athletics supports itself. Athletics is based on the people that buy tickets to go the football and basketball games. That's where Paul gets the money to pay the coaches and run the facilities. So when you look at athletics, this money is based on the revenue we get from ticket sales, etc. So it is important that we put this in perspective that this is based on the people going to the basketball game. So the situation is when you take a look at athletics, you've got to put it in perspective, it has to support itself. If it doesn't support itself then Paul is going to have some difficulty.

Ava Lovell - So looking at our athletics, we have to remember we are through November so really in these numbers, basketball hasn't really started. We're finishing up on football so to be \$325,000 loss or more expense than revenue, we're really in a pretty good position here as we go into our big basketball money making time.

Regent Koch – Paul, you might explain to us that Utah is going to be playing Alabama in the BCS, what kind of revenue will we get from that game?

Paul Krebs – The league is projecting an additional \$550,000 in revenue in each school in the conference.

Regent Koch – So again, if you go back and put this in perspective what we're talking about, how important it was for one of our teams to have such a fantastic record and go in the BCS is if there is a sharing portion - - so now, thank goodness for Utah being able to do it, we're going to get about a half million dollars of revenue to go into our athletic department.

Ava Lovell – We'll go ahead and go down- our auxiliary operations are broken down into which vice president runs then. So the first here is our bookstore, public events, golf courses, parking, ticketing and some other small ones. So we'll look and we'll see the net bookstore is \$627,000 favorable. We're showing some unfavorable right now in our public events, \$488,000, they just started their new season and their ticket revenue will start to go up. They have budgeted a break even so I think they are only on their second event for the new season.

Regent Koch – That's Popejoy?

Ava Lovell – That's Popejoy, that's right.

Regent Koch – What I am trying to do here – so many people didn't put up their hand, they knew what we're doing and I am trying to go through this to give a little explanation. As we go through the day I know there are going to be a lot of questions.

So the reason I am interrupting is to get in proportion those people that haven't not had an opportunity to hear this before.

Ava Lovell – Golf courses, we are in a very competitive golf course market and we do struggle but we are budgeting to break even. When we do reporting, one of the things it forces us to do to is understand our business. It's not just numbers thrown on a page. So because we do these reports every month, we talk to everyone, we find out what the business is like and that is exactly what President Koch is trying to help us understand is the business behind these numbers.

So parking and transportation, favorable right now. Again, if you'll look at their revenue they get a large amount of fees and parking revenue at the beginning of the semester and then they also spend that down. Ticketing services showing a bit unfavorable now, they are planning on breaking even.

Let's go to the top of page four and we have some small auxiliaries there, Young Ranch in Taos, Lawrence Ranch. Then we'll go down to the student affairs we'll look at some bigger ones, our housing. That is what is driving the unfavorability in the total auxiliaries in athletics. You can see that they now have more expense than revenue of \$4,581,385. That is planned because what they are doing is upgrading the furniture and fixtures in the dorms and doing more maintenance. So they have that balance, if you will a balance or a savings account and it's been approved for them to spend that this year and that is what they are doing.

Student Health Center is doing well right now, \$544,000 favorable. The small auxiliaries under the Provost which are the museums and conference center and so forth are just about break even.

So if we go back to page two we can finish this up. At the bottom you'll see sponsored programs, that's our restricted contracts and grants. We always break even on those because we're paid to do a research project or some kind of service and we spend the money they give us to do that and we break even there. So our net, whole university operations, right now through the end of November, \$35,260,887. Again, we spend that down over the next month or so and then we'll start again with a new tuition bolus in the spring.

I do want to say, we started the pause, the hiring pause, November 5th. So this would only be one month of the pause and it took a while to get going and people to get used to it. I don't think these numbers reflect the savings we might have from the pause yet. I think we'll see more of that next month.

Regent Koch – Thank you for taking the time to explain it to us. Make sure you get a copy of this.

Regent Eaves – I wanted to add to what you were saying about this. Every month this report is presented to the Finance Committee publically. Copies are always available for

anyone who wants it and each month at the Regent's meeting, Ava gives another explanation of this, each month. Again, it's on the public agenda, anyone can have a copy who wants one. So the Regents and the administration are trying to make this kind of information open and available to anyone who wants it on campus.

Regent Koch – Just briefly, what percentage do we get of state money and that state money is almost all in - -

David Harris – What percent of the university's funding? The last time I looked it was around 18%.

President Schmidly – 16, 17.

Regent Koch – But that does not include the hospital?

David Harris – Right.

– Again, it's important that people understand, that what is our total budget not including the hospital?

David Harris – The total budget is about \$2.1 billion I think.

Regent Koch – What is our budget, just the university portion?

David Harris – I think it is over \$800 million.

Regent Koch – And about 18% of that is state money, is that correct?

David Harris – Yes.

Regent Koch – All right, does anybody else have any questions?

Regent Eaves – I do. David, what Jamie is doing is exactly what I thought needed to be done today. One of the things that has happened I believe with regard to the request from the Governor and the legislators that we begin to become very cognizant of the budget reductions that might come down from the state level. There has been a real focus on what the potential problems are going to be. I mean they are probably not potential, the state has serious problems right now with its general fund budget. That doesn't mean the university has instant problems. I think what Jamie is doing is trying to communicate to everyone that this university is in a very good financial condition right now. One reason we are in that financial condition is because of the administration and the management, the excellent administration and management that we have in place at this university. A couple of other points I wanted to make, on all of our bond indebtedness, give me the total estimate of the total bond indebtedness in the university right now.

David Harris – Excluding the hospital I would estimate around \$325M.

Regent Eaves – Including the hospital?

David Harris - \$550M.

Regent Eaves – The University is totally current on all those bond - -

David Harris – Oh sure.

Regent Eaves – Payment of those bonds are not in doubt?

David Harris – Our bond rating has not been declined as rumors have suggested.

Regent Eaves – And a lot of other people’s bond ratings have declined. What are our bond ratings?

David Harris – I think they are the second to the highest available for public entity, AA plus. I can’t remember the ratings of Moodys and Standards but they are the second highest that are available. Equal to the state’s bond rating which is the second highest available.

Regent Eaves – At my request, Andrew Cullen obtained for me the list of all of our pier institutions and tuition. These are last years numbers, the university may have actually dropped relative to our piers, but there is a list of potential pier institutions and the page I have has 69 potential pier institutions. This is a much broader list than the piers that the CHE looked at in the past and our tuition rate among the 69 potential pier institutions; we’re number 61 on the level of our tuition which last year was \$4, 571. Despite the fact that we’re in excellent financial condition at this university, we are very favorable as far as tuition at this school. Are there any financial problems that the university has right now?

David Harris – The University of New Mexico?

Regent Eaves – Aside from the state?

David Harris – Well with the PNM rate increase last summer and the way that it was allocated, we have some challenges now meeting our utility budget. We have put in place some utility conservation programs that are starting to take hold. We hope that helps us. The legislature has not funded the utility budget within the formula adequately. I think we’re funded at around 54% of the actual cost. So that is a challenge but we try to manage internally the problems that we have.

Regent Eaves – Again, I am well aware of what President Schmidly has done and what you have done on energy and again, I think is a sign of really good management and administration because we are anticipating the problems, we’re trying to solve the problems before they become acute and the same thing is going on university wide.

There were some questions, I was at the town meeting the other day and there were a lot of questions about how we are using the tuition money that we have collected. I had also asked for some numbers about the average tuition credit. The average tuition increases between '01 and currently is about 8% a year. Of that, the average tuition credit mandated by the legislature is 3.28% which nets 4.72% for the university. Would you explain so that people understand how that credit works.

David Harris – That's a really good point because there was a facts sheet distributed to each of the chairs the other day at the all campus meeting. It suggested that there had been a 51% tuition increase in the recent years, where has the money gone. But in fact, that number was incorrect because within that total it didn't take credit for the 28% tuition credit that the legislature took against our tuition rates.

Regent Eaves – Actually, my sheet here says 29.5%.

David Harris – Okay, I'm wrong. I tried to get as close as I could.

Regent Eaves – If the University doesn't increase tuition to cover that credit mandated by the legislature - -

David Harris – Then we can't sustain the formula. We have to raise the tuition to accommodate the tuition credit so that we can fully fund the formula and distribute those funds as the formula intends.

Regent Eaves – And the questions on tuition at the town meeting the other day were interesting because clearly, most of the people in the crowd were not informed about the budget summits we have had every year for the last four years. David you have had a strong role, and the regents have too, in organizing those. But every year one of the major issues at the budget summit, one of the primary reasons for having it, is to talk about tuition increases and what the use of that tuition increase will be. Each year there are very, very serious one on one negotiations with the student government leaders and the efforts made by students on this campus to recommend a responsible tuition increase commensurate with our needs at the school. One of the primary reasons for tuition increase is to increase faculty salaries and a significant portion has gone for that purpose. But every year those are negotiated and as far as I know each year we have come up with a number that has been acceptable to the students on campus. The budget summit will happen again this year. If anyone has ever attended those budget summits, the information that is available is very detailed about the University and how the revenue is going to be used. The student leaders, the staff, the faculty, everyone has their input at that meeting. At the town hall the other day, you wouldn't know the budget summit happens. Four years ago when I was a new regent, there had never been a budget summit. That is something that has happened as a result of the excellent management and administration this university has the benefit of. So all of the accountability that Jamie is talking about, all the reports we get, the month-to-month monitoring of our financial condition, our bond rating, meeting our debt service obligations, accumulating

balances university wide. What are our balances right now? Cash balances, university wide, including the Health Sciences Center?

David Harris – Including the Health Science – I think the institutional balance, the last time I checked, was \$5.2M and I am not sure about Health Science but it is probably astronomical, I don't know. We try not to be too prosperous in projecting Health Sciences because of the uncompensated care factor.

Regent Eaves – I thought what Jamie was doing was really good and I wanted to expand on it. I have one other thing I want to do.

David Harris – Mr. Chairman, in fairness to the audience the other day, I think they were very well informed on the budget summit. I just don't think that was the topic of the discussion. The concern is why we are cutting the budget. That was just my take.

Regent Eaves – I don't know if they were or they weren't, I know that some of the questions did not indicate they were but maybe most of the people - - most of the people were quiet at the meeting so I don't know what most of the people knew. Thank you David.

I have one other thing I want to bring up. I am deeply troubled by the unfounded rumors that seem to be constantly floated here at this school. The other day at the meeting there was one that was mentioned earlier about the Health Science Center and Loyola I sat and listened to you announce to that meeting, and I don't know how many people were at that meeting, there must have been 1,500 - - [700 from audience] - - announced that rumor to the meeting and I would just say that one of the problems we have in misunderstanding what is going on and this is disinformation in the form of rumors. There are a couple of other rumors that I am familiar with but I won't mention right now but that one prominently, because it was announced publically to that large gathering, I think deserves focus because a bad rumor, an unfounded rumor like that, deserves to be rebutted publically like we're doing today. I really hope with all the information available through the management we have that before rumors like that are floated publically, before a crowd that is very susceptible to believing what they hear, that someone will ask - - the reason I say that, and this was disappointing to me because the crowd showed a hostility at that meeting. It was troubling because we're all trying for the same thing at this university. We are trying to have the very best school we have, I think the people that work at this institution, faculty, staff, students, administration, are outstanding. Why there would be such hostility at a meeting of that sort that was called by the President for the purpose of having a discourse, a dialogue with the University community. That should be a constructive meeting. Our budget summits every year are usually very constructive. It makes me believe when I go to a meeting like that where there is such hostility, it makes me wonder if those kinds of meetings are good or bad because the reaction from the crowd - - look, there is probably a minority, like there usually is, of people speaking up, because there were a lot of people there who didn't say anything at all, but even that minority it seems to me should deal with each other and the administration should deal with them with respect and courtesy. Unfortunately, the

meeting that we had was not on that level and I hope that today we can treat everybody with respect and courtesy because we want to hear what you have to say but sometimes when people are laughing at what is said and being cynical about what is being said, the message that you want to give to us and the administration gets lost. It's really not necessary because we want to do the right thing, President Schmidly is really dedicated to doing the right thing and I hope we'll come out of this meeting today with a very positive, positive atmosphere and a real sense of cooperation that we can work together to do what we all want to do, make this the very best university it can be.

Regent Koch – Howard, you had a question?

Howard Snell – Two quick questions. The question will come in just a minute but first I would like to clarify just one thing. When Loyola spoke at the town hall, what I heard her say is that she had heard something and was asking whether it was true or not, so just to clarify. I don't think Loyola was spreading rumors, she was doing just what was suggested which was trying to confirm them.

My question was for David, where does the payment of the debt occur on these sheets? Is it in various different places for expenses or is there one line that tells us?

David Harris – It is not reflected in the monthly report.

Regent Koch – Are you talking about the bond payments?

Howard Snell – Yes.

David Harris – The debt service accounts are not reflected, these are operating accounts.

Howard Snell – So that means that there is economic activity at UNM that is not on these sheets? Are there other things that are not on these?

David Harris – Not that I am aware of.

Howard Snell – Okay, thanks.

Regent Koch – That's a good question Howard. We'll get that, not today, but when we get to setting the budget. That's a good question.

I am sorry we took a little bit of time there so at this time - - let me explain how we're going to go here today. First of all, sometimes what happens is we may not be doing a good job of informing you of what we are doing so we have to be better ourselves, informing everybody, trying to keep everybody informed. Obviously, we have to look at how we're doing that. What we are going to try and do today is the Regents just want to bring you up to date; we want to listen to what you have to say. We want to listen to what Dr. Schmidly wants to say and there will be some questions. I have asked Howard and I have asked Loyola, the only two that I have asked, to make a presentation after that.

Then we will have questions from the regents; they may have or may not have questions. Then we'll go to public comments and the public will have questions and we will look at everybody and I am sure we are going to have a nice pleasant meeting.

Dr. Schmidly, you're on. Being a faculty member – this is what happens with faculty members Howard. You guys do all these power points and I guess we're going to have to take some notes and have an essay test when we get through here today. Your turn Dr. Schmidly.

PRESIDENT'S RESPONSE TO FISCAL CHALLENGES, David J. Schmidly,
President

Thank you Mr. Chairman and board members. It is a pleasure to be here today and to tell you a little bit about some of the things at the University to cope with the financial situation which has emerged really globally, nationally, at the state and even locally. I have been in higher education for 40 years now, more or less, in three different states so I have been through these things before. I think one of the things that is important as you deal with the uncertainty of financial times, it causes anxiety. It can cause fear and we are seeing that nationally now. But communication becomes very important. Where I want to begin today is to talk with you a little bit about how we have tried to communicate since it has become evident that we are going to have some challenges.

First Slide - We have done the things that typically happen at universities. We have had a lot of meetings, e-mails, letters, a web cast and we did have a town hall meeting and we continue to dialogue about this. We have attempted to be transparent and informative in terms of where we are.

Next Slide – Our overall strategy is one that you see being played out in every American family today. That is to slow spending, accumulate cash until we know where we are and what we're going to be asked to do. Of course, we have focused on preparing for a possible mid-year recession and also for the potential longer term reductions in state funding. So far what we have done is just that. We have done some strategic preparation. We have not gone in and actually cut budgets. Our goal is very straight forward, to preserve the current work force, to keep tuition affordable, protect our mission critical activities and to continue as much construction as is feasible and prudent because that construction creates jobs in the local economy and this nation needs jobs. Now we have placed some limitations around what we said we would do. One limitation was that we focus this pause in spending on our I&G funds which David defined earlier and I will say more about that. Because research is so crucial at this institution, we have tried to hold the research area harmless and not impact the distribution of what is called F&A funds. F&A stands for facilities and administration funds and those are charges placed on research contracts that we get and we use that money to support the research infrastructure at the institution.

Next Slide - So you can see here, just an outline of what we consider to be our mission critical activities. Minimum impact on classes, student advising and student support, trying to limit the impact on our instructional work force and then preserving the strength of our research initiative.

Next Slide - So if you look at what we have done tactically, the EVPs have been given a major role in implementation in what we have done. They have been given the responsibility, authority and flexibility to act. Short term (November and December) we have slowed spending, tried to accumulate cash until we see what this mid-year recession is. Now we are beginning to initiate planning for a longer term reduction that is possible in state appropriations. We do not know yet what that longer term forecast might look like. We will get some idea on the 11th of January when the first budget projects are put forth; the first state allocation projections are put out there. But I will say to you as we prepare for this longer term situation, we have got to look broader at all of our funds and our sources of revenue. For example, we saw what happened two days ago when the feds cut interest rates virtually to nothing. That will impact the interest income that comes to the institution. As we have seen what has happened in the investment area the last three months, we have painfully seen what has happened. That means the yields from our foundation is going to be less and the regents have a large endowment, you have the Winrock endowment. We have budgeted money out of those accounts for important functions. In fact last year at my request, you afford the University an additional million dollars for student scholarships out of those funds. Well the income projections on those funds are going to decline and we have to begin to look at that and we have to plan for that. So as we take this longer term view, we have to have comprehensive involvement. The executive team, the deans and all the governance groups on campus and all of this should lead up to the budget summit in March. So over the next several months we will be doing a lot of talking about these longer term projections.

Next Slide – Let's take a look now at this I&G Funding. If the State reduces our appropriation, what does it mean? Well this slide summarizes the key aspects of I&G Funding. As you can see – here is our total budget, this is the State appropriation, it makes up about 17% and here is how it is distributed across the main functions. The main campus gets about 61% of this of which 92% is I&G and 8% are special projects. The HSC gets 33% and you can see that the HSC gets less I&G and much more special project funding than the main campus. The situation the branches get very little of this appropriation, about 6%. This is the reason for involving the EVPs to the extent that we have in leadership roles is because the strategies that we might use here are not necessarily the same strategies that would work well here or over here.

Next Slide – If you'll look at the next one, you'll on the main campus how things are broken down. You will notice here that 70% of our I&G money on the main campus goes for salaries and benefits. That is our work force. About 4% in utilities and 26% in other. Then if you look across this, you will see the instructional work force makes up 54% of that and our staff is about 46%. So hopefully that will put this I&G Funding in some perspective in terms of how much money it is, how it is distributed and you see

how important it is, very important to preserving the work force, how we use this money. So that is why we have tried to be as prudent as we have been.

Next Slide - So let's look now at what we have done on the short term to try to slow spending and increase savings. We put in place the hiring pause and hold; although we have allowed some mission critical hires and those are allowed at the discretion of the EVP; EVP for Academic Affairs, EVP for Health Sciences and EVP for Administration. We suspended salary adjustments, we reduced spending on our capital projects and equipment and we reduced our I&G expenditures as much as we could, travel, all of those sorts of things we have tried to reduce. We suspended BR&R spending, that's building, renewal and replacement. We have invested a lot in our buildings the last several years and with the exception of projects that were already under way, we have sort of paused that. We felt like we could take a pause there and accumulate some money that could help us for other purposes.

Then of course as you know, you all have a policy for harvesting funds where we can go in and take 25% of balance forward money and we have done that the last several years. Here is how that works in a very simplistic way. If there is \$100 accumulated in an account, we don't touch that. If the next year it grows \$100 so there is \$200, we harvest \$25 of that \$200 and we leave the other \$175 in place. So that is how that balance forward harvest takes place. What do we use that money for? Well this year we had hoped to use the money for new faculty positions, the Provost had worked out a plan. We had hoped to use it for fellowships and a number of things that would enhance the academic mission of the institution. Once we got the word of the possible budget recession and the financial condition of the state, we did not make those allocations. We have accumulated that money so it could be part of the money we have saved.

Then we put some previously approved budget expenditures on hold. If you will recall last year at the budget summit when we put the budget together last year, you approved a half a million dollars in my part of the operations for communications and marketing. We have held that money and not spent it and used it as part of this pause.

Next Slide - You can see the outcome here, our short term actions in November in December - - we have identified about \$6.5M that we have held and not spent and a little under 25% of that are in these faculty/staff positions. The harvesting, pull back phase hasn't had much impact and I will show you that. We are moving forward with about \$391M in construction projects approved or underway. So I think overall, the strategy we have adopted has been fairly successful. We are hopeful that within this money right here we can very comfortably deal with any kind of mid-year rescission.

Next Slide - So now let me show you where these funds have come from. Here is the result of the harvesting and the pull back. You can see what has come out of my operation, what has come out of the Provost, the administration, we have tried not to touch anything in Student Affairs and what has come from institutional advancement and the percentages. That is a little under \$1.5M. Here are the BR&R, the minor capital that we have stopped spending on and here are the paused vacancies. Those vacancies as we

continue to pause them, accumulate at about a half a million dollars a month, the ones that we have paused. So there is your \$6.5M and you see there is a very balanced spread of those dollars in that area.

Next Slide – Now let's look at the impact on positions. There have been 144 positions paused. That is less than 2% of the main campus work force. 23 of those positions are faculty positions. They are under that 85 right there. Then here are the exemptions in Academic Affairs there have been 15 exemptions and over on the Administrative side there have been only 6.

Next Slide – This looks at the impact on our work force over the last year. There have been some concerns expressed that we are eroding our work force. Of course, any time that you talk about a hiring pause that is a legitimate concern. If you'll look since last December on the faculty side, there are 187 new faculty, since October 9 have been added. Staff is down from December 07, 23, but since October there have been 69 added.

Next Slide – Now the challenges. In spite of the success, the process has been rocky and that is not unusual. The meetings we have had reflect anxiety and concern among employees, I understand that. There is anxiety and concern everywhere in this nation. Yesterday in the USA Today [end of tape] careful dialogue and as we work on building more trust, which is something we really need to work on at the University of New Mexico. As we working in that direction, we will see less of that. There has been a straw pole taken that has pointed out there are some concerns about morale and I think it is unfortunate that there is a lot of indication we have moved into what I call this "Us vs. Them" to try and address these issues when what we really need to do is it needs to be all of us working together to the extent that we can collaborate to address these issues.

I will say, much of the stress is in the College of Arts and Sciences. That has become very evident to me as I have discussed things with people on the campus. Most of the faculty that come up and talk to me are coming to me from that College. That is where we have literally half of our instructional work force and our students. The instruction model there is heavily dependent upon adjuncts. That is one of the ways we have been able to build the University of New Mexico into such a powerful research and scholarship institution is that we have been able to have manageable teaching loads and to do that we have made good use of some very outstanding faculty in adjunct roles and the budget model the last several years is to pay for those adjunct faculties through salary savings that accumulate from retirements. I don't think we're going to see many retirements going forward given the state of what has happened to a lot people's defined contribution plans. So that is sort of a summary of where we are.

Next Slide – Now let's look at some next steps. Here is what I really think we need to do. I think it is important that we continue the hiring pause and hold until we know exactly what the legislature is going to ask us to do. I think we will know some time this afternoon what is likely in terms of the mid-year recession and I think we are prepared to cope with that. Now that mid-year recession by the way, when it comes, will be reflected in this financial report you get each month. We won't take a chunk of money and send it

back to Santa Fe, is the way I understand it. What we will do is they will decrease the money they send to us every month and it will begin to flow through those monthly financial reports that are discussed at the F&F committee and at each of our board meetings. But hopefully we're going to know early in the session what is going to happen in the 2010 budget and we can begin to plan for it.

In the meantime, we are doing a multitude of things. One of the things we are doing is reviewing all professional service contracts to see where we might be able to pull back and I will summarize those for you in a few moments. We need to look at maximizing our budget efficiency and our savings. When budgets are being cut, it is essential to efficiently use the resources you have. So David alluded to a number of things we are doing in the energy area to try and reduce energy expenses because the state's funding formula does not cover all of our energy costs. Every dollar we save in energy is a dollar we invest somewhere else.

We are evaluating our dean searches to look at costs and how we might phase these searches over time if that becomes necessary.

We are continuing to monitor all of our capital projects and the revenue sources. Last year we had a revenue bond of \$143M, we have to meet that revenue. We have to meet that revenue bond. So we must continue to look at these projects and the sources of revenue to make sure those sources of revenue are adequate to meet that bond. Recently we have changed some things because of those concerns.

We are in the process of evaluating student aid to be certain that we will be able to meet our scholarship obligations.

We are going to review all of our special projects. I think we're going to have to do that because I think that is an area where the legislature may look as it decides what it is going to do next year.

Then we've got to evaluate the impacts on investments and endowment income and we've got to look at where those sources of funds are plugged into our budget. If they are going to go down, and it appears that they will, then we're going to have to cope with that.

Now the last two items here represent another way of looking at cutbacks because they represent ways to generate new revenue. So we are continuing to plan for our capital campaign and the possible announcement of that next fall which would be half a billion dollar campaign. The things we are stressing on that campaign are faculty development and student success. This is a campaign designed primarily to bring in revenue for faculty chairs and endowments and also for more student scholarships and fellowships.

Then we have a very aggressive recruitment and retention effort under place so we can continue to grow enrollment. David alluded to the fact that the state intends to fully fund the formula this year, regardless of the financial situation. Because we have not been

growing enough to break out of that band that has been the pattern at the institution, we will not be eligible for any of that money and our sister institution is eligible for as much as five or six million of it. That is why growth, some selected growth, is important to helping us cope with our dilemma.

Next Slide – These are our professional services contracts, they total almost \$19M. We have a full list of them now. We are looking at them. They array across the entire institution and after the first of the year we're going to look at ways that we might be able to do some reductions here.

Next Slide – This shows our special projects. We have a total of 108 special projects that exceed \$60M in funding. Majority is at HSC, they will be more impacted than the main campus here. 62% of our funding for our special projects on the main campus is in salaries and benefits. So what happens to these special projects impacts our work force. Some of these are what I would call mission critical; they are absolute essential to what we do. The Medical Examiners Office, for example, at the HSC and the BA MD program at the HSC, which is so important to providing rural physicians in New Mexico. All of the projects that support the success of our ethnic student population at the university where we are working so hard to improve student success, many of those programs are funding through these special projects.

The legislature, there has been some talk, they may decide to sand some of these projects depending upon the overall severity of the budget reductions. We have spoken to the leadership at the legislature, we have pointed out to them how crucial some of these projects are and we have asked for flexibility, internally, if they get into that kind of mode so we can protect the most crucial of our special projects, those that are most essential to our mission. I put in place a process in our Government Relations Office so that we are very carefully monitoring any consideration of reductions of these projects.

Next Slide – Over the course of our discussions on the campus a number of issues continue to resurface that are tied to the overall financial situation of the university. These include administrative positions and salaries – do we have too many and too much? A Division of Enrollment Management – do we need it? The Rio Rancho campus, people have asked me, “Why are we proceeding with that in tough times?” The Pit – why do the project at all? So Mr. Chairman, these have been discussed previously by the board, I am prepared to address them now if you would for me to or if you would like to move to questions, I will set these aside and deal with them later. I will leave that to your discretion.

President Schmidly – Let me just say, it is always easy to see the cup half empty but it is important to look at the cup sometimes half full. If you'll look under tab 3 in your handout that I sent out to you earlier, for the past several weeks we have been monitoring all around the nation what has happened with higher education in all of the states and all of the institutions. If you look through that matrix, I tell you we're not near as bad off as many states are. In fact Susan McKinsey brought me a news article from the state of

Colorado in which they are seriously considering zero state funding for higher education institutions in Colorado effectively privatizing them.

We still don't know for certain what is going to happen but we have made adequate short term provisions for a mid-year recession. The biggest challenge is going to be next year and we have got to examine our options and contingencies but we need to do that in a calm, reflective atmosphere. There is no reason to panic, posture or engage in unnecessary rumors. Us vs. Them approaches are going to be totally counter productive as we move forward.

I would just close with a quote I got in an e-mail from a faculty member this week that I think is very appropriate and germane to the discussion here. In that e-mail the faculty member said, "Regarding morale, it is important that in this difficult time we all support one another in whatever way we can." So Mr. Chairman, that concludes my comments and I will be glad to address questions or I will reflect them to my vice presidents.

REGENTS' QUESTIONS AND/OR RESPONSE

Regent Abeita – I have a couple of questions. Regarding the 23 faculty positions that are on hold, were those positions considered based on where they were in different departments? Was there a particular department or office that was impacted? Why were those particular faculty positions identified as being held?

President Schmidly – Provost Ortega would you answer that please?

Provost Ortega – Regent Abeita I may need to get back to you with more details but at this point this is my best understanding of where we are. These reflect the number of tenured faculty positions that are officially listed as open at the beginning of this year. That's independent of those that have already been filled with one year visiting professorships. So these are positions that stood vacant. In almost every instance, searches are continuing to go forward for these positions while effectively we are not making any hiring positions. I have not paused the searches for those positions because, with the exception of three faculty positions, those searches typically lead to on campus interview in spring at which point the deans and departments will be in a better position to know if they can actually afford to fill them.

Three positions actually have been filled because of the timing of the search cycle and because the deans had made long term plans for covering any short fall up to 5% to 7% possible. They had made compelling cases that they could cover it and these would still be their high priority faculty hires.

Regent Abeita – So if one of those 23 positions, say there was a search or a need to fill what would be considered a critical faculty position, because I am aware of some programs that if you do not have a faculty in that position, that program is basically going to go away. For example, there is a program at the law school, and I don't know what the

status is but I am just using that as an example, so if there is a candidate or somebody who is identified as a person who would be interested and we would want to hire, there is provisions based on the discretion of the EVP – so that would also be subject to these 23?

Provost Ortega – Yes.

Regent Abeita – So when we're saying there is a freeze on these positions, there is still a lot of leeway and discretion based on program funding, critical mission, so that when we say that it doesn't necessarily mean that - -

President Schmidly – That is why we have tried not to use the word “freeze.” We have tried to use the word “pause.” What we have done also, the Provost is working with the deans on ways that we can cope with next year's budget situation that go beyond I&G funds. It appears if some of the colleges will be able to cope with potential budget reductions without having any impact at all on hiring. And we will allow that flexibility. What we wanted to do Regent Abeita was, as I have tried to stress, is simply pause hiring, accumulate cash, so we could meet a mid-year recession and then allow the Provost and the deans to engage in this longer term planning that would consider factors like you were discussing.

Regent Abeita – Let me also say that part of my question is based on some statements that have been made to me that there are certain departments that are being crippled or being detrimentally impacted by these pauses or the vacancies. Now if that is true, is it - - again, it would be up to that particular department to really make their case for their need for filling those faculty positions during this budget time, this type budget time, is that right?

Provost Ortega – Yes, to my knowledge, for tenured and tenured track faculty positions, not a single position has been affected adversely by the pause and hold.

President Schmidly – I think there have been some concerns though with regard to academic support staff in some units. That became very evident in the forum last Friday and the Provost and I have had some conversations about how we might be able to help those departments cope with that.

Provost Ortega – President Schmidly and Regent Abeita, I do want to follow up. From my vantage point, the places that are experiencing the greatest pressure right now in point of fact are not in permanent, regular faculty positions that seem to be moving forward. We can't predict, because we don't know yet long term, but right now everything is on track and moving forward in the regular rhythm of academic life. There is real pressure in administrative support staff who's as many of you appreciate trying to run offices are probably more important in some ways than those of us who are in charge. These are certainly critical hires; I would say I haven't received a single, frivolous request. For that reason, because they are all critical hires and because we really do need to accumulate cash, we have asked over the coming month that these positions remain unfilled while deans develop strategies and priorities to make sure that these are the key positions they

wish to fill. In the meantime, I have asked for those departments affected to send lists of time sensitive projects that we can deploy staff from my office to help with. I believe that e-mail went out; I think we met 90% of the request for assistance and I think we can get the work done through the end of this year.

Regent Abeita – I guess another point on this is that I know if we have identified a potential candidate for a faculty position, timing is very critical because if a lot of these folks, if they are coming from say another institution or something of that nature, so I am hoping that when you're asking the deans to give you their proposed plans, that that is being taken into consideration because again, if you're saying that there are mechanisms for critical hire, the case is made, the funds are there, that this can be done quickly because I know that there are often times very impressive candidates. But because of the bureaucracy and the administrative gear grinding, we lose the opportunity to bring these folks on board. So I don't want the budget concerns to also impact adversely. I really want folks to hear this so that if they can make the case for these kinds of positions, their programs, their faculty, the faculty vacancies that there is an option or options available because I think that also goes to some of the rumors that we have heard that again, you're saying it's a pause, out here we're hearing freeze and to me that means like just nothing. So I think that is really important to bring up.

I want to go onto the discussion about special projects and legislation. The legislative focus on that, part of my concern is, in good times when you identify something as a special project, that's great. We're thinking outside the box, we're doing this for a special initiative. However, now when the budget is lean, that is the first place that folks will look because they see it as frivolous, maybe not important. Some of the projects that are unfortunately listed under that heading are really what I see are critical to the goals that we have set for things like recruiting minority faculty, student pipeline programs, student support and retention programs and a lot of these are projects that involve minority students, the graduate students. I am afraid that those projects, just by simply being listed as a special project, would be subject to legislative scrutiny to say, well that's the first to go. I really want to emphasize that some of these programs are critical to what we are trying to achieve; the BA MD program, the student pipe line programs through the Health Sciences Center, the summer bridge program that supports the Indian students, all the other minority student support programs, the graduate student programs are also in there. I want to be very clear that while we are calling those special projects, and when you say we're going to review all of these, I think we really do need to be careful about that when we lump them all in under that category. Especially since when you're saying mission critical initiatives, and I am glad that you said that, because there is a lot of concern again out in the folks that are in these programs and you did acknowledge that a lot of that is the support staff and the faculty under these programs so that if they get cut, we lose staffing. We also lose the momentum and we lose the benefits that we have actually built up on these projects. So I really want to hear that as part of the university's legislative initiative, when the university goes and talks with the legislators and seeks funds, that we're very careful about protecting a lot of these special projects.

President Schmidly – Yes, Regent Abeita, the Council of University Presidents spoke with the Legislative Finance Committee last week and the special projects did come up. It was mentioned by some legislators and the conversation was along the lines, we created these, they are not funded as part of the formula and this could be where we need to take some of the cuts. What we countered with was, we understand that there may have to be some reduction here. What we asked them for was the flexibility to prioritize those in terms of our mission critical activities so that some might not be cut at all hopefully if they are that mission critical. It is my view that some of these projects to the University of New Mexico indeed are that mission critical.

Regent Abeita – When you say we have the ability to prioritize, that would be the administration? I would really like to see what special projects are seen as priority because, again, like I said, a lot of these are based on the goals that we set for recruitment, retention and all of that so I think we have to protect those. We have to do the ones that are really, that have seen - - and honestly, some of these programs are ones that the University holds out as “look at what we are doing. We’re thinking outside the box, we’re taking this approach.” The University doesn’t fund so it is totally funded by the legislature, so to me that makes it very, very vulnerable.

President Schmidly – But the legislature has that control, they have that power. What we have done through our government relations people, Marc Saavedra, all of the people that we have engaged in Santa Fe, we are going around and visiting with the legislature and making the very points that you are making here today. We have produced a comprehensive list of all of our special projects, all of the FTEs, faculty and staff that are associated with each project, and we have arrayed them into these sorts of functional areas that represent the strategic priorities of the institution. Student success, excellence in research, healthy communities, community and economic development – we have broken them into those kinds of categories. We would be happy to share that analysis with you. But we have not made any decisions yet. The point was to begin to review them because the conversations in Santa Fe constantly are mentioning, this may be an area where there is some reduction and that is why we have done this analysis and started the reviews.

Regent Abeita – I think that was my questions for right now. There might be a couple as we go on, I’ll defer to the other Regents.

Regent Eaves – President Schmidly at the town meeting there were some questions about what impact would fall on administrative salaries in the event that some sort of recession became necessary. I know that your answer was that we’re not cutting any salaries right now and we don’t contemplate doing that but in the unlikely event that some sort of recession would be imposed on us or requested, what would be your method of spreading the pain across the university? Would the administration be subject to the same?

President Schmidly – Absolutely, no question and I think we would also have to look at differentially how it might occur. My goal Regent Eaves is to do all I can with other aspects of the budget so that doesn’t become necessary. But if it does become necessary,

every single individual should share in that pain. So we'll cross that bridge when we come to it but I hope it's a bridge that none of us have to cross.

Regent Eaves – Well I think the planning that you're doing now may prevent us from every having to cross that bridge.

President Schmidly – I hope so.

Regent Sanchez – Other than a comment, Carolyn's grasp of the critical need for special projects is impressive and she asked a lot of the questions I would have asked, having been familiar over my legislative career. I think that is extremely important and I can't stress that enough. One of the subjects that didn't come up that I haven't heard anything about is there was a concern that was voiced at a meeting I attended relative to part-time employees and what we're doing with the part-time employees. That came up and I want to bring that up President Schmidly. What are we doing in that regard? That is an essential part of our mission here and they share quite a responsibility. What are we doing in that regard? Graduate students operate in that realm under many circumstances.

President Schmidly - Regent Sanchez, we have held the graduate assistances and teaching assistance harmless. We have not reduced any of that. I think, with the exception of \$120,000 the last time I heard, we have held our part-time instruction harmless for the spring semester. I think there has been a reduction, the Dean of Arts & Sciences mentioned to me that in order to cope with the pause and hold she has had to reduce part-time instruction about \$120,000, which is a very minor part of that overall budget. Now as we look to next year and we look at the revenue projections, we're going to have to balance revenue with expenses and we'll have to revisit that issue. That is, I think, the planning that will take place the next couple of months. Helen, do you have any comments on the part-time staff?

Helen Gonzales – Regent Sanchez, the only thing I want to add is that we haven't seen a substantial cut in the number of temporary or on-call staff. Those requests are also going to the Executive Vice Presidents and to a large extent they are extending some of those contracts for a month or so until the wait and see what the status is on the budget. So we haven't seen a large cut in the numbers of temporary or part-time staff at the university.

Regent Sanchez – I had to step out for an emergency call a little while ago and I don't know whether or not further clarification of the issue that seems to rise time after time relative to our spending at this university on capital outlay projects. There is a lot of confusion that seems to rain even though we talk about it over and over and over about capital outlay projects and the fact that that can't be - - projects that we fund out of the Severance Fund or out of G.O. bonds can't be used for recurring expenses at this university. David, would you give this group, one more time, a simple synopsis of what that is about. Just so that everybody, once more, understands that what we spend in capital outlay, if we don't use it, many times we loose it. And if we loose it, we don't get it back because it ends up in a permanent fund. So David, would you explain it one more time.

David Harris – We receive funding from multiple sources for our capital budget. From the federal government, we receive funding from the state government in three forms; general fund appropriates; severance tax authorizations; and general obligation bonds. Typically, each two years the lions share of the general obligation bond package that legislature authorizes is dedicated to higher education. This year I think we had \$57M on the ballot in November. These funds can only be expended for that purpose because they are authorized by voters of this state.

We also have funded projects from institutional bonds. Now the reason that we have come up with this funding mix is if you only rely on one source, for instance appropriations from the legislature, you will never accumulate enough money to actually complete a project. This was very true in the case of the architecture and planning building and in the new centennial engineering center where we had worked for years to try and accumulate enough money to address those projects. The question was asked why don't we account for our bond funds, there was some implication that we didn't have all the cards on the table, and that is because those funds for servicing of debt are restricted moneys and are not part of our operating accounts. We can account for that, it is all presented in our audit report, that is not a problem. The fact of the matter is for capital projects that are supported by bonds or by direct appropriates, you could only expend those funds for those purposes.

Regent Koch – On one of your questions, Joe Chechi, stand up just a minute. When I came on the Board of Regents, Joe Chechi would go to the legislature to get money to build his engineering building. He'd get maybe what ever the total was. How long did it take before we did the bond for you to get your building?

Joe Chechi – President Koch, I think it took about six years.

Regent Koch – What happens is the legislature introduces a bill and says we're going to give some money to the engineering department to build a building and we need say \$25. So they give us \$5M. So now we've got \$5M sitting there that we only can use to build that building. So then next year we go back to the legislature and say we've got \$5M to build this \$25M building but now the \$25M building is \$32M, so we get another \$5M. So Joe Chechi, I remember very clearly, is what you just said, if we had not done that on the bond, you wouldn't have the new engineering building. Because the legislature doesn't give us the money to do it, they give us a little partial of it. Then that money is what they're saying, we might want that back. So what happens when you're doing capital outlays, when you go where we haven't done the bond, like the \$125M bond which built your engineering building, we still would not have built the engineering building but what we would be sitting with, if he had in the bank say \$12M he wasn't able to use, the legislature this time would say, okay we gave you \$12M for the engineering building, you haven't built it yet, we're taking it back. So that is why we had the institutional bond, Joe am I correct on that?

Joe Chechi – Yes President Koch, you're absolutely correct. I think the idea of floating the bonds makes it possible. I am actually proud to be the poster child for the difficulties that we had [inaudible – no microphone for speaker]

David Harris – We were able through this program to complete some necessary projects. The architecture building obviously was the most complicated funding budget that we did because it involved actually two general obligation bonds, a number of appropriations and then institutional bonds. We have also been able to do other things. It came to our attention that the biology building and more particularly to me the communication and journalism building was an absolute dump. I don't think it was suitable for teaching students or housing faculty. If you look at that now it is really a gateway facility. It's just gorgeous. So we have been able to do, I think, some important things through this program that we have established over the last several years.

Regent Chalmers – Listed in “Where do we go from here?” are aggressive student recruitment measures, I would kind of like to know what they are and we didn't reach the next band for funding and our sister institution did and that is New Mexico State?

President Schmidly – That is correct.

Regent Chalmers – Are they doing something that we need to be looking at if they have grown and we haven't and what is the outlook?

President Schmidly – They did a number of things to improve enrollment in their upper division courses and graduate courses where the formula pays more. That is something that we are doing as we speak. In fact, we're not that far from breaking out of the band. We really have two challenges here. One challenge is to get appropriate growth of our freshman class and particularly improve the quality of the freshman class and we did that this past year. But we have got to retain more of our students and graduate them in six years because those are the students that populate the junior and senior courses and those pay a higher formula rate than the freshman and sophomore courses. So that is why this student success initiative is so important.

The other area where we can make up on the formula is to grow our graduate programs. Growing graduate programs are very dependent upon faculty because graduate students are attracted by faculty. That is why it is so important to do all we can to preserve our faculty because they are the ones that do the recruiting of the graduate students. There are some states that have literally frozen enrollment because of budget constraints. One is the state of Florida and the other is the state of California. So we have put a recruiter in Florida, I believe as we speak, and we are also have recruiters in activity in California because we think there will be opportunities there to bring out of state students that pay out of state tuition to the institution. We are trying, through the Division of Enrollment Management, one of the main factors there is to improve our recruiting. To improve the speed in which we are able to process the necessary work to get students admitted to the university and to get that acceptance letter in their hand as soon as possible because we think that gives us a better chance of recruiting them. Of course, that is the whole

purpose for the student success center that we are going to put at the Lockheed Martin building is to be able to do all of that back off processing as quickly as possible and to improve the services that we provide our perspective students. So the whole purpose behind the Division of Enrollment Management, which is not a new division, it's a consolidation of a lot of things under a single leadership role, the whole purpose there is to position us for strategic growth so that we can craft our way out of where we currently are into a new band and be eligible for more of this formula funding as it comes forth in the future.

Regent Chalmers – I have a particular interest in Rio Rancho because my business is out there and I am very familiar with that. I know it's on the agenda here but I would like your comments on that because the citizens of that community have more than once over the past year or so voted three times tax increases for themselves as a way to support our efforts out there. To stop would not be the proper thing and I just want your comments, I know it's on your agenda.

President Schmidly – Yes sir it is and I will summarize what is here. We are in the process now of looking at the timeline for moving forward. There is money that has accumulated as a result of the gross receipts tax that was passed out there and we are working with the City of Rio Rancho and how those funds can be used to build our first building there. You are correct, even though we are in difficult financial times, Rio Rancho continues to grow and the leadership out there continues to be progressive and very interested and committed to higher education. We are beginning to see real growth in the programs we have in Rio Rancho even though we haven't opened in that facility yet. In fact, Marc Nigliazzo told me that he expects we will move from over 500 students to 1,000 students out there conservatively in the next couple of years. Also, we believe that we can open that campus without any negative impact on the main campus here. With the gross receipts tax, the tuition and fees that students would pay, the funding model that we have projected would show that would be adequate to operate that facility. It is also, I think, important to note that as Rio Rancho grows it really helps the main campus because it does factor into our formula funding which comes here. So I see us moving forward in Rio Rancho. I do not see this financial situation necessarily hurting us in that regard. We have negotiations underway now with the city about how to get this building done.

Regent Chalmers – Just a comment in general, commend the administration on the report, actually the results of the financial report. I think we are in good shape right now. I think it's a good to be a little paranoid because that makes you plan well. I commend as well the regents, before I was on, for creating this report because it makes us very transparent and hopefully it spurs some ideas and some thoughts from everybody else. I wasn't at the town hall meeting, I read about it in the paper. I am not as quite as - - I may have a little bit different view. I don't know about rumors, I don't know what the difference is between a rumor and an honest question. If the question is out there, I think we want it and that goes hand-in-hand with being transparent because a question unasked is still a question in people's minds. I think we all are in this together and we can solve the problems together. As a businessman, the university is certainly not being picked on.

The business community, we're all being picked on, and as I see it, very frankly, so far we are managing the situation very, very well and we need everybody's help. If you've got questions, I think we need to hear them. I certainly wouldn't want to do anything or give any impression that we are trying to not listen to any questions that might be in people's minds. Hopefully, those questions are asked with a good heart and good intentions. If they are, then we can only benefit from those questions and probably better communication because of it.

President Schmidly – I just wanted to make a comment in that regard Regent Chalmers. I've tried to stress to the campus community that the tax payers and the legislature are watching. The tax payers – this is not an easy time for them either. They are expecting us to tighten our belts just like they have to tighten their belt. They expect us, in my opinion, to do it prudently. They expect us to do it in a manner that preserves our mission critical activities. So in the planning we have done to date, we have tried to keep that at the forefront of our thinking.

Regent Dorman – I think my question goes more to Provost Ortega. What we heard earlier in the presentation today was about evaluating the status of the ongoing dean searches and then estimating the costs to fill each of those. I just want to clarify if that is part of the hiring pause that is going on?

Provost Ortega – All of the existing dean searches were started prior to the initiation of the pause and each of the searches, of the three authorized searches, is going forward. In fact, two are very well advanced. At this point we will continue to have conversations about how we will fund those deans' positions over the future. Whether filling those positions remain the highest priority. I can tell you at this point my analysis and conversations with the deans are that in fact it will be cost effective to fill those deans' positions.

Regent Dorman - Great, I think that is really good news for all of us to hear because as President Schmidly said earlier, our strategy right now is having this hiring pause pending a definitive word from the legislature and while we're also trying to accumulate more cash and then we'll have long term planning. In order to have the most effective long term planning, we need permanent long term deans. So hearing that is very good news for faculty and students and all of those involved here at UNM.

Regent Eaves – President Schmidly, in May of 2008 the faculty requested a comprehensive review of the change in upward administration expenditures at UNM. At the town meeting the other day there were a number of questions regarding expenses for upward administration at UNM and there seemed to be some concern about it. Can you just describe briefly in response to that faculty resolution?

President Schmidly – I'd be glad to, I'd like to put those two slides up. The question of what is too much administration? That is not a black and white issue. There is no firm benchmark on that. What I would say is you've got a \$2 billion operation here. You've got to have an adequate administration. It is a very complex organization, as I showed

you just looking at the I&G funding base. What always worries me about administration is how does it get built. Does it happen through some sort of ad hoc fashion or does it happen as a result of some strategy and tactical reason? Upon taking over as President of the University, I really did an extensive consideration of that. What you see here is how this thing has evolved. It has really evolved very interesting over three different presidencies. It started with Louis Caldera who reorganized the institution around these three main functions; the academic enterprise on the main campus; the Health Sciences Center; and administration, since we're all fundamentally one campus here. When I got here and looked at it, that made a lot of sense to me, a whole lot of sense. So I felt it was important that we preserve those three executive vice presidents with the president in sort of a CEO role. Each of those vice presidents is delegated broad authority over their respective area. When David came in as interim president, together with the board, you made what I thought was a very wise decision, which was to consolidate some of the functions between the Health Science Center and the university. That resulted in these changes shown in red here. Now I thought that is one of the most effective strategies I have ever seen. I have worked at big universities before that have separate medical schools on the same campus. Those three red boxes, at that institution, you had duplicated administration. You had those boxes on the Health Science Center and you had them at the university. That is not true here.

Regent Eaves, as you know, when I interviewed here and responded to what the regents had outlined what they expected of the next president, I pointed out there had to be some further organization changes if we were to make progress in that area. Someone to move us forward in Rio Rancho, to be there on a day to day basis, knowing that my responsibilities would not allow that. We have been able to do that without impacting, very much, the budget on the main campus. A vice president for enrollment management because enrollment is money. When this division of enrollment management is fully functioning, it is not going to cost the university money. Over time, it will make the university money. Then we talked about the lack of diversity at the institution above the level of students. I am very proud to say we have made some progress. You see a lot of women here that have been recruited into these positions and we've improved the diversity in a short time and we are working on that at the faculty level.

Finally, something that I have always believed in is that athletics should be fully integrated into the university. It should not be the tail wagging the dog; it should be part of the university. So we just simply changed the title, didn't have any budget impact, of Paul Krebs from Athletic Director to Vice President for Athletics. That is how you have come to this organizational chart. I would submit to you it is very functional, it is very streamlined. The next question, of course, is it excessively expensive. If you'll look at this chart, that was the purpose of this study. The study by the way is on line. This is a measure of institutional support as a percent of your total I&G expenditures for institutions like ours where you have major medical schools on the same campus with the institution. Institutional support is a general description of administration. You can see we compare very well with all public research institutions, the AAU publics which we desire to be, our peers and we're a little above the regional institutions. This jump right here, which took place before I got here; I have asked questions about that. I have been

told that reflects some major changes in accounting practices associated with the implementation of Banner. If you were to go back and put those same changes in place here and here, these red boxes would be up closer to where they are here. Ava and David can answer more of that question.

As I look at this, again, what I would say to you, the administration was put in place tactically and strategically. It is not out of line with what peer similar institutions are doing. Now, does it mean we always have to leave it this way or we shouldn't make any changes? Absolutely not. What we are doing is we are putting metrics in place to measure the effectiveness of this. If this is not effective, it should be taken out. I have no question in my mind about that and that is what we will do.

I have been President of three institutions now. This is one of the most stream lined, efficient administrations that I have experienced at those three institutions.

Regent Eaves – One additional question, the administrative team that you have assigned to produce a response to the general faculty resolution had three faculty advisors to it; Ann Brooks, Doug Fields and Howard Snell. You said the report was available on line, is this the report you're talking about?

President Schmidly – Yes.

Regent Eaves – It is available on line for everyone to see.

President Schmidly – And we reported back to the faculty in a September meeting with the general faculty. We reported back the results of this study.

Regent Eaves – I want to just add by the way of a comment, several of us here as regents, were present when the decisions were made to reorganize under President Caldera's regime to begin the reorganization. It was done very carefully, lots of forethought and lots of planning. When you were interviewed, the search committee which had wide representation from faculty constituencies and the community, one of the major items was to ask you how you would approach the executive organization of the university and what you would do in the future. One of the reasons that I think you were hired was because of your vision on enrollment management and on management of diversity on campus. You have been evaluated based upon your compliance with those goals and the vision that you brought to us and they included those two items very prominently along with the other changes you have made and the continuation of the organization structure that was begun under President Caldera's regime. I think you've done it extremely well and I have heard you say and I have heard other people say, that this university has one of the finest management and administration teams, probably the finest in the state and one of the finest in the country, and I want to personally congratulate you for continuing that. I think it has been very effective and I think it positions us right now to deal with this budget issue that we are dealing with because we have the information available, we have the people available to manage it and we've got a very strong leader in you and your

executive team and all the very strong people at the university are supporting you to meet this crisis and I think we are well positioned to do so.

Regent Koch – I have one comment on the dean search. The dean search costs about what, \$500,000 per dean potentially?

Provost Ortega – Well we are actually doing the faculty intensive version of dean searches which means we are not paying a search firm. So in terms of the actual cost of recruitment there is an awful lot of sweat equity and hard work and contributions. I think at this point we do not know how much additional salary over the salary of the incumbent will have to be paid to recruit the very finest leaders this institution deserves.

Regent Koch – Well aren't we looking within a little more than we have in the past? You have your search firm, search committee and stuff like that. I would hope that as we look at some of these vacancies – what do we have about six vacancies?

Provost Ortega – I think it is six but we are only searching for three this year.

Regent Koch – I would hope that you are looking within, that we are making every effort to determine if we have some people that could do that. The other question that I have to you Dave is in regards to that, I think we need to take a look at the potential of how we do searches in regards to deans. If we are going to look within that maybe we don't have to have so many candidates but I really would hope that we would take time to look at people that are in those departments and determine if they have the capability of being deans because there are a lot of costs if we go outside to do that. So I really would hope that we would make every effort with all the dean searches that we are looking very carefully if we have somebody there that can do the job equally as well as going to bring somebody in. I would hope that you would do that.

President Schmidly – Yes sir.

Regent Koch – Now at this time I would like to go to Howard and then to Loyola. Thank you Howard for being so patient. I have talked with Howard and Loyola and I am only asking them to present, the other advisors can come in public input or whatever you want. But I specifically talked to the two of you because you do represent a large segment of this university.

Howard Snell - Thank you, Regent Koch, for the opportunity to address this special meeting. As a university, UNM is an institution that deals in knowledge. Our staff and faculty discover and refine knowledge via research and creative activities, our students, staff, and faculty promote the sharing of knowledge via instruction and teaching, and all of us apply knowledge to serve the public that supports us. Thus our currency is knowledge and we use it to fulfill our three primary missions of research & creative activities, teaching and public service.

Today, the goal of the Faculty Senate is to communicate 5 points that we feel must guide UNM's budgetary strategies as we develop policies to handle potential shortfalls in State funding.

1. The direct involvement of Deans and Department Chairs in formulating policy is crucial. The current efforts to consult Deans and Department Chairs about implementing policy are important, but we need to use these central levels of the UNM community to formulate policy as well. In an ideal situation Deans and Department Chairs would be directly involved in deciding what needs to be done and then our administrative levels would help decide how to do it. Many administrative levels are experts in how to get things done (process) – that is how it should be, but deciding what needs to be done must come from Deans and Department Chairs.
2. Faculty/Staff/Administrative effort is finite. Thus proposing to “do more with fewer” means either a drop in quality of teaching, which harms student progress, reduces retention/graduation; or a drop in the quantity & quality of research & public service; thus failure of our mission. The ratio of students to faculty at UNM has been declining (14 – 1 in 1998, currently 19 or 20 – 1). And we rank towards the bottom of our peers in this metric. Our ranking in terms of creating knowledge may also be slipping. Thus we can't propose to “do more with less” or even “do the same with less”. Having fewer faculty and/or staff at UNM will require a trade off between quality/quantity of teaching, or quantity/quality of research & creative activities, or quantity/quality of public service.
3. Therefore reasonable solutions to our budget short falls can't be restricted to just cutting costs within academic programs. Reasonable solutions will involve combinations of cutting costs elsewhere as well (reduces the academic programs burden), using previously harvested funds currently in our central reserve, and using other funds as well (possible contributions from UNM Foundation, Regent's Endowment, etc?). To meet these challenges while meeting our missions requires innovation – innovation such as you, the BOR, demonstrated in finding creative ways to finance the construction of the Rio Rancho Campus by partnering with the Sandia Foundation. We challenge the regents to apply that sort of innovation towards diversifying revenues for academic programs at UNM.
4. We must maintain the distinction between the 2008/09 potential rescission and the now-likely-greater 2009/2010 reduced budget so that we can work on long term solutions. President Schmidly's earliest messages suggested that the need for quick and decisive action set the stage for a more-or-less inflexible approach for the 2008/09 situation, but stressed that flexibility and innovation among the schools and colleges was going to be extremely important for the long term solutions (2009/10 & beyond). Now there's some suggestion that the "savings" realized with "pause and hold" might be applied to 2009/10. The originally proposed flexibility for long-term solutions must be recovered. This could be facilitated by allowing individual units to decide whether or not it was

appropriate to apply pause & hold savings to 2009/10 reductions, or whether they need a new exercise to meet 2009/10 reductions.

5. The staff and faculty are ready, interested, and eager – I stress “eager”, to work collaboratively towards these solutions, but improvements are needed in the nature of the collaborations. All members of the collaborative efforts need to feel assured that their contributions can influence the eventual outcomes. Thus working together will mean more than being “talked to” if it is to be effective.

Thank you.

Regent Koch – Very good. What do you teach?

Howard Snell – Conservation biology.

Regent Koch – You did very well; do you have a copy of that for us?

Loyola Chastain – Regent Koch called me and informed me that this meeting would be taking place and would cover our financial situation. He told me we should come to this meeting with suggestions and questions. The Staff Council Executive Committee decided that the staff should be surveyed so that the Board of Regents and President Schmidly are aware of what the staff is thinking about the events on campus and, perhaps, how they are affected. We heard from over 100 employees and we have copies of their remarks for your review.

There are a lot of difficult messages that need to be said and it doesn't give us any greater pleasure to bring them to you, but they have to be out in the open. Tensions have only escalated in recent months and I have mentioned, on behalf of Staff Council, that we want President Schmidly to lead us to a culture of safety and that is more important now than ever before.

One suggestion we had was reflected in the survey report. Many employees suggested that UNM close on 12/22 and 12/23. The Executive Committee of the Staff Council asked President Schmidly if he would consider closing the University on these dates, as had been done by previous presidents. This would increase morale in a time of financial crisis. Additionally, it would result in energy savings, as we would not be heating buildings housing a skeleton staff of say two to three people. President Schmidly said we could not close on those two dates because it would cost the University a million dollars a day. We appreciate the consideration and the answer.

Currently, there is 40% internal promotion, as stated by Human Resources. We feel this is low. With a hiring pause currently in effect, the Executive Committee feels that you allow open positions to be filled from within whenever there are qualified candidates, which would give employees an opportunity for promotion. With these types of internal promotions, there would still be a savings (for the position vacated) while putting experienced people in positions that will provide more leadership, which is especially needed at a time like this.

For example, there are currently several department administrator positions vacant. This is a critical job to departments. Department Administrator positions could be filled by people in lower Administrative Assistant positions. Training is readily available through EOD and the Management Academy. We should be grooming our current staff to move into higher positions. Replacing lower level administrative staff is more cost effective.

The Staff Council really wants to thank President Schmidly for his willingness to answer questions during a difficult time at the town hall. The Staff Council encourages the administration to conduct another town hall or a series of town halls to engage faculty, staff, and students as to their ideas on how to further address campus issues, presented in a format that focuses the discussion and is facilitated to keep the focus on productive outcomes. The 750 in attendance and the 300 who watched the web cast are precisely the people who can be engaged to begin a productive dialogue to solve our problems.

The Staff Council encourages the office of the President to hold open office hours for staff, faculty, and students to chat and listen to one another. Additionally, we invite President Schmidly to visit various departments around campus each semester to understand the challenges they face on a day-to-day basis. If you talk to the administrative assistants or department administrators and ask them how things are going, if they can order supplies, or any other questions, this might help when making budget decisions.

We received many comments in the survey regarding the number of vice presidents. We recommend that more communication about their roles and responsibilities be disseminated. In an effort to achieve transparency, can the vice presidents annual goals be posted to the President's web site?

Regent Koch stated the staff salary survey and the job reclassification would continue. We realize this utilizes funds. When will we know that the funding has been committed to this project? Is this project still on track?

As you read through the many comments staff has submitted, please note that there is a real commitment to the UNM community. Finally, we know the staff and faculty want to work in concert to find solutions to these problems and we ask the President's office to help define forums and formats for future discussions with a tone of civility and a sincere interest in finding our common ground as we move forward.

PUBLIC COMMENT

Maria Probaso – Thank the Board of Regents, President Schmidly, for opening the line of communication in trying to communicate to the staff, to the parents, of the economic crisis that our nation is going through, in fact it is global, and the pro-active approach you are taking in resolving a lot of the issues.

I look at us as a family. When this crisis came about, each one of us in this room, we took certain measures to manage our home budgets. In my personal home, I have two students currently here at the University of New Mexico. My youngest lives on campus. We did have an education fund for each one of the children but of course trying to sell anything right now, we would get much less than we ever put in it. So, what we did in our household is we just looked at our income, where are we going to cut so we do not impact our children's education. So we put more savings aside so we could pay for our children to continue their education at the University of New Mexico. So it is going to take a personal sacrifice on every single person here in order for us to insure that our students continue getting the quality education they deserve and that parents have sacrificed for their children to be here to attend and that the academic program is not impacted and their degree requirements are met and that the kids do graduate on time. That is what we are here for, students and for them to insure that they are graduating.

We do have a lot of differences it appears to me as to how we are going to reach that goal. I do have full faith in President Schmidly and the Board of Regents that they will carry that with minimum impact to the staff and other programs that right now may be on that top priority. But like Regent Abeita expressed earlier it is critical that programs that are directly affecting students are not impacted by this budget shortfall.

So as a parent I would like to thank you for taking that pro-active approach and looking at how we're going to best go about in insuring that we will continue, the best way possible, educating the students and providing them with the degrees that they need to succeed and that we will all work together and do our part as a family here, both the faculty, the staff, the graduate students, the administration, in how we are going to make it possible. I ask that we all continue working as a team here, as a family, and continue communicating and finding ways to overcome these difficulty times.

Douglas Fields – My name is Doug Fields and I am faculty member in Physics and Astronomy. If I could, before my question, could I ask President Schmidly to go ahead and give his presentation on the Pit?

Douglas Fields – My question involved bond pay back and the question about athletics covering itself. The bond money for the Pit of course gets paid back from the general obligation bond.

Regent Koch – No, it's paid back from the selling of boxes and ticket sales and stuff like that. What we need to do for you, because it is a very good question, David if you would provide to him how the Pit is going to be paid back and how it's going to be done so he can see it precisely the way it is. The selling of luxury boxes, the whole thing, that is the way to pay for the Pit. I think that is an excellent question and if you would make sure he gets a copy of that, that will, I think, help you understand how it's being funded.

Douglas Fields – If I may just make the comment that I teach and many of my students have asked the same question, why are they spending so much money there and not on

academics. It's not just information for me, I think it is information for the student body as well.

Regent Koch – It's an excellent question because it is a question that needs to be answered. The funds for that could not be used anywhere else. In other words, the selling of the boxes. We need to make sure it is very clear so when you are talking to the students, say this is how that is being funded and that is an excellent question and I appreciate it.

David Harris – Of course we have received a couple of legislative appropriations for the Pit and that constitutes a big portion of the project funds. Then last year in the institutional bond sale, there was a plan of finance that was established for each component. As it relates to the Pit, the plan of finance was to involve increased prices of tickets, concessions, and the sale of luxury suites. Very much the same model that has been used in the highly successful Isotopes Stadium that is right across the street.

Regent Eaves – And no I&G money?

David Harris – No, there are not any direct institutional funds or operating funds mingled with any of our projects that I am aware of.

Regent Eaves – To further expand on that, you all came to the regents and basically diverted money that was going to go to stadium, football stadium renovation. Why did you do that?

David Harris – Because the Pit was considered to be a more viable source of revenue to service the debt than the football stadium was. That was an analysis that Vice President for Inner Collegiate Athletics Krebs did with his consultants.

Regent Eaves – And if the viable source of revenue were not available to service the Pit debt, we wouldn't be doing the Pit, correct?

David Harris – No, that's absolutely right. If the project could not support itself and the debt obligation existed, I believe that we would have to come back with a recommendation to increase student fees to service that debt and that is certainly something we are talking about or considering. As a matter of fact, you cannot use appropriated funds. The bond markets will not recognize appropriated or budgeted moneys for debt service. We could never have even gotten a bond rating if we proposed to do that.

Regent Koch – Douglas, we will make sure you get a copy.

David Harris – I think we do have that in writing. Or I'll be happy to speak to your students directly; maybe they can understand it better.

Regent Koch – Anybody else? Please identify yourself.

Lawrence Strauss - Hello, my name is Lawrence Straus, I am Distinguished Professor of Anthropology. I learned about this meeting yesterday, about 4:30 pm by email at the end of a long day. I should have been this morning finishing reading this morning the umpteenth draft of a dissertation and working on the umpteenth draft of a student dissertation proposal. However, I have been employed by the University of New Mexico my entire career, 34 years. I have risen through the ranks from visiting Assistant Professor to Distinguished Professor and so I thought this was a pretty important meeting that I ought to come to and just tell my story a little bit so perhaps to help you understand the difficulty that some of us in faculty are having understanding what is happening to us here. As I say I have given my whole career to this institution.

When I became a Distinguished Professor several years ago, quite out of the blue I was visited at a cave that I am excavating in northern Spain by the president of our national professional association was looking for me to ask me some questions about cave art actually. I got to talking to him and saying that I had been made a Distinguished Professor and he made a very telling remark to me, which has been eating away at me quite a while. He said, "Oh that's what poor universities do. They give you a title and nothing else." There is a disconnect basically and we see the history showing that perhaps our administration is not out of line in terms of it's costs with other pier institutions and so forth, but at least those of us that have been around for a long time know that faculty salaries, and certainly staff salaries, and the staff are grossly underpaid and over worked in many cases, that the salaries do not keep up with our pier institutions. So we all know we are in a financial crisis, there is not doubt about that, we all know that. We see that we're going to have to work longer, our retirement are not going to happen for us. But we kind of have this feeling that the university pays, or says it tries to pay market for higher administration but that doesn't seem to happen basically down in the ranks of the people who are disseminating and generating knowledge as Professor Snell said earlier.

I would just like to say from the point of view of the Anthropology Department, we are facing a crisis. I have been the editor for 14 years of UNM's world class Journal of Anthropological Research and is one of the many reasons why the UNM Anthropology Department is known not only around the United States but throughout the world for the quality and diversity of its research into present and past people's cultures and languages. We are in a particular fix because of a large number of retirements, the baby boom is in fact retiring. It just so happens that all the retirements that are hitting us over the next couple of years are women. We have been very fortunate in having excellent female colleagues; we are one of the leading departments in the nation in terms of that sort of diversity. So what we see is an increase in part time instructors, being used to cover courses, difficulty in filling the tenure track lines, staff that is over worked, lots of unfunded mandates that are coming down to us from the administration for increasing and what we see as being unnecessary paperwork and bureaucratic things that simply cut into the limited amount of time Professor Snell was talking about that cut into our time to do our essential missions of teaching and research.

I think I have kind of said my peace basically. We are all in this together and we realize that President Schmidly has a difficult time but I think it is important that we understand one another and see where we are coming from and trying to create an institution that puts students first and puts the creation of knowledge and its dissemination to students as being our key missions and the service to the state of New Mexico and it's citizens. I would like to thank you for letting me say my peace. Good luck to you.

Regent Koch – I would like to comment on something. As you remember last budget, we raised the minimum wage at this university to \$9.50 for anybody working at the university. We gave a 5% increase to any employee who was making \$30,000 or below. On Staff Council, as you know, the average staff council is \$43,500. So on some of the lower payrolls, due to Raymond when he raised the minimum wage to \$9.50 was very important. But your questions are great and we are glad you brought it to us.

Christopher Ramirez – Thank you President Koch. I just wanted to say that I appreciate the opportunity to be part of the process to reaffirm the importance of communication and transparency at this institution. I also want to say that Friday, while part of that process, I left feeling very responsible for students not necessarily having been served in the best capacity. I want to take my full responsibility in terms of feeling like instead of blaming each other what we need to do is work with each other like has been said today to move forward.

We have a list of questions that GPSA developed that we would like the president to respond to and I will be sure to follow up with those. But I have a number of other questions rising from today's meeting that I want to at least put out there. Again, we can follow up with the answers, not today but at a different time. One of the things that have been raised to me by graduate and professional students is the need to understand how students will be part of the process in terms of moving forward in the next couple of months especially. It feels like we have been a little bit left out. The other thing I wanted to ask about was in recent months I have realized how important breaking the band is to the funding formula. It was earlier spoken about New Mexico State is going to receive over \$5M this year because of their efforts to do that. What I wanted to find out, who is the staff person responsible for graduate enrollment management and looking specifically at breaking the band for graduate and professional student enrollment here at this university.

Provost Ortega – I am in charge Christopher and I am in charge through collaboration with Vice President Carmen Brown in Enrollment Management and Dean Chuck Fletterman.

Regent Koch – Your question is an excellent one. First of all, as you know, we have not had an increase in our graduates since I have been on the Board of Regents. We have brought it up every time. When we hired Dr. Schmidly that was one of the areas that we have done. That is a problem we have and it looks to me that we are addressing that but this is something that didn't just come now. If you had been here every regents meeting

that we talked about, which you wouldn't be, we have talked about somewhere along the line that we have not done enough to increase our graduate students.

Christopher Ramirez – Absolute, I understand that. My last question is actually a follow up from Regent Abeita's questions about the special projects. That is, if understanding that a number of those special projects, and I am really speaking to the ones that she was specifically talking to in terms of that are a pipeline to not only our current student and faculty of color but the pipeline for the students that are here in New Mexico to get into higher education. If those are critical to our mission, why are they funded in the most vulnerable way by this state legislature and not allocated funding through our I&G money and not part of the budgeted amount we have at this university?

David Harris – Because I think the funding formula, which is a matter of law, is very strict in its definitions. Anything that falls outside of the formula is addressed by the legislature as a special project. Now that doesn't necessarily mean, in my opinion, that it is only funded one time because there are many of these special projects that are reviewed as recurring expenditures. We have had many projects, for instance in Health Sciences, that have been funded for over two decades. So the fear that all of the special projects are in fact non-recurring, a one time commitment, I think is unfounded. I think that however because of the way the funding formula has been constructed, they fall outside the definition.

Ashley Fate – I'll try and keep it brief as well. I would like to say that today I feel it has been a much more productive meeting in the way of people's attitudes. I think that people have really come forward saying let's share, let's be a part of this, we are in this together. You heard Ms. Probasco talk about us being a family and I think that is a really important theme to remember that truly we are all a part of this. Maybe we're a little dysfunctional but we put the fun back into dysfunctional, right? But with that, there are some other things I have heard in these meetings. I have heard the idea of shared governance. But with this shared governance idea, I think there is also something we need to realize, that there is a shared responsibility amongst us.

We need to show each other mutual respect. And that is one of the things that I saw lacking on Friday's town hall meeting. I have always been very proud of this institution. I love this institution from the depth of my heart. I appreciate the faculty for what they do; I am hopefully smarter as a result of you. There are staff people who have absolutely positively affected my life. But for the first time I was disappointed. I was disappointed in people showing such blatant disrespect to our President by booing him and laughing at his statements when he was trying to make points. I was really hurt by this. I think as faculty members sitting in the crowd, if you were at Woodward Hall and you were trying to speak to your students, maybe you're not the most popular faculty member, if they are laughing at you and they are booing you and they are hissing you, it is impossible to teach. It is impossible to get your message across. I think that just because you're a faculty member, there is a certain level of respect that you can expect from your students and I think it is not an unreasonable to request that the president deserves that minimum

respect at least as well. So that's my first point, mutual respect and I think it goes both ways as well.

On top of that, I think there is this idea of listening, really listening. Not sitting at a meeting, not trying to counter arguments that are presented to you but really listening to what people are saying. So often I am in these meetings and I am listening to people try and talk and they are trying to talk over each other and they are interrupting each other. If we really give each other the opportunity to speak and really listen to the answers to the questions that we are asking, I think we are going to be a better institution because of it. I think that that is also going to help alleviate much of this misinformation that is circulating either in the form of rumors or in the form of just not knowing the right answer because we haven't listened for it.

I think it is really appropriate for us to understand that it's okay to agree to disagree. We are not always going to see eye to eye. We are not always going to agree with one another but that doesn't mean we need to get hostile and that we need to be disrespectful to one another. Also, I think we have another responsibility to each other. That is to let each other do their jobs. The administration needs to be able to do its job. I have seen since the beginning of President Schmidly's administration, so much controversy over the changes he is trying to make. There is no doubt that this university needs change, that we have potential and that we can live up to this potential but we need to make changes. With change comes opposition but also with change comes opportunity. So please give the administration opportunity to make positive changes. So with that I thank you.

Regent Koch - You did very well. Well let me sort of outline where I think we need to go from here. The slides that Dr. Schmidly put on, "Campus Communications, To Date." It starts with Meetings with Executive Cabinet and has five meetings. The reason I called this meeting is that we have watched and followed, so what we wanted to have today is to have everybody bring us up to date. Bring us up to date on where we are and what we're doing. There is an old saying that President Truman used to say, "If I understand your problem, and you understand my problem, we can solve something." Obviously the questions coming forth and all the things coming forth is we understand that, we understand where it is and you understand us. If we respect one another we can solve our problems. We can't solve our problems if we don't listen to one another.

I am going to suggest what I think we need to take a look at next year in regards to the budget and maybe how it needs to be done. I am not saying that is what is going to be done but what I think we need to take a look at. The budget summit is an excellent tool and it has been an excellent tool. In the past, the way it works, you have the budget summit. A budget summit comes up with recommendations and then they go to Finance & Facilities and then it goes to the Regents and by that time we may change what some of the budget summit wanted to do. I think we need to look at a little bit different process this year. I know that Raymond and Mel served in the legislature, I have served in the legislature and I served at the time when we had a vote on raising taxes because we didn't have the funds. I had an opportunity to serve on appropriations committee when you had different people come before you and you had to adjust their budgets and it's not very

fun. Also where it comes down to where you have raise taxes. So in the situation we have here, we may have to do something in tuition, I don't know. But what I am going to suggest we look at is a little bit different format this time. It is such a critical time so I would like to go to something like a budget hearing. A process where it would be open, we would sit down and go through the budget. The regents are the ones who are going to make the final say. We're going to say what tuition is going to be, we're going to see what student fees are going to be, we're going to approve all of that. All seven of us are going to have to do that.

So this time because of the situation we are in, all seven of us have to be involved from the very start. I think we need to take a look at how we are going to present the budget. All of what is going to happen, we do not know. We do not know what the legislature is going to do. We assume what they might do but Raymond, myself, Mel - - you don't know because you're going to have 112 legislators deciding. We can assume what is going to happen. So as far as I am concerned, we need to wait until the legislature is finished. We can keep coming back with this is what we hear is going to be, etc. so it seems to me, we have very active lobbying group. We meet on Wednesday and people able to come and we can follow the budgets. Once the budget is set by the legislature, then it's not a guess. So what I am going to do is talk to Mel, David and Dr. Schmidly about a little bit different process in regards to how we are going to do the budget this year. It seems to me that what we have to do is we need to make sure everybody has an opportunity to participate, if they participate in the proper manner. If they participate with respect, if they participate with listening, I think that we can accomplish that. When we get through, what we would have is a budget that everybody understands and what we have had to do. The seven of us up here are the ones that are going to make the decisions. For myself and the rest of them, we are going to want to have all the information we can, we need to look at everything. I said this several months ago, as far as I am concerned, everything has got to be on the table. If it's not on the table, it's not right.

I appreciate everybody's comments. Ashley you finished up just perfectly. What you said was a lot more eloquent than what I could say and it was excellent. So let's leave here and understand that we are going to be open. The problem is when you work in an open process; it's a lot more difficult. It's a lot harder for people to understand openness. When we came on six years ago it wasn't open. But when it is open it is a lot harder on us I can tell you. It might be a lot better if it wasn't open but it is open and open for people. We will be, in the next several weeks, deciding how we are going to do the budget. I would suggest that we don't need any more town hall meetings. I don't think we need any more at this time. I think what we need to do is take a nice deep breath and relax. You have seen what our financial conditions are, wait until the legislature is finished and then let's operate on what is actually going to be. That doesn't mean there won't be preparation but I want to look at the process a little bit different than we have done in the past. I want to make sure that when we sit down that we get it finished then. In other words, we don't have a budget summit potentially, Finance & Facilities and then the Regents. I think we need to look very carefully if it can be structured that we do it all in one time.

Again, I want to thank everybody for coming. I have said from the very start that the reason I called this meeting was for us to have your input and I appreciate everybody's courtesy.

I would like to entertain a motion to recognize David and David for what they have done in regards to working on the things they have done.

Regent Chalmers – I would move that we recognize their wonderful management through this crisis and their transparency and their efforts to communicate with the university community.

Motion approved unanimously to recognize President David Schmidly and Executive Vice President David Harris for their management, transparency and their communication with the university community (1st Chalmers, 2nd Eaves).

ADJOURNMENT

Motion approved unanimously to adjourn at 11:50 a.m. (1st Sanchez, 2nd Abeita).

Regent James H. Koch
President

Regent Carolyn J. Abeita
Secretary Treasurer

Attachments:

1. Financial Report 11/30/08
2. Power Point Presentation of President
3. Faculty Senate Report
4. Staff Council Report
5. Staff Council Employee Survey

