

**Minutes of the Regular Meeting of the Board of Regents of the University of New Mexico
June 13, 2017
Student Union Building, Ballroom C
Main Campus**

Members present

Robert M. Doughty, President; Marron Lee, Vice President; Tom Clifford, Secretary Treasurer; Garrett Adcock; Brad Hosmer; Alex O. Romero; Suzanne Quillen

Administration present

Chaouki Abdallah, Interim President; Paul Roth; Chancellor for Health Sciences Center; David Harris, EVP of Administration, COO, CFO; Virginia Scharff, Associate Provost for Craig White, Interim Provost and EVP for Academic Affairs; Elsa Cole, University Counsel; Dorothy Anderson, VP HR; Eliseo 'Cheo' Torres, VP Student Affairs; Dana Allen, VP Alumni Relations; Elizabeth 'Libby' Washburn; Gabriel Lopez, VP Research; Chief Compliance Officer; Amy Wohlert, President's Chief of Staff; Liz Metzger, Controller; Ava Lovell, HSC Sr. Exec. Officer of Finance and Administration

Regents' Advisors present

Pamela Pyle, Faculty Senate President; Danelle Callan, Staff Council President; Alaa Elmaoued, GPSA President; James Lewis, Alumni Association President; Donna Smith, Retiree Association President

Presenters in attendance

Lisa Marbury, Executive Director, Institutional Support Services

Others in attendance

Members of administration, faculty, staff, students, the media and others. Many supporters of the UNM ski team were present.

CALL TO ORDER, CONFIRMATION OF A QUORUM, ADOPTION OF THE AGENDA

Regent President Rob Doughty called the meeting to order at 9:10 AM and confirmed a quorum.

Regent Doughty announced the following amendments to the agenda:

- 1) Move Budget Approval (Item VI, Tab 8) to coincide with the President's Administrative Report
- 2) Move Public Comment and Advisors' Comments related to agenda items to after Approval of Minutes (Item II)
- 3) Move Election of Officers (Item IV) to before President's Administrative Report
- 4) Take off of the agenda, HSC Committee agenda Item 1, "Approval of the Naming of the Jim and Ellen King Professorship in Dermatology", because the item is also listed on the consent agenda and will be approved on the consent agenda.

The motion to approve the agenda as amended passed unanimously (1st Lee; 2nd Adcock).

● Before going further, Regent President Doughty welcomed new regent Alex Romero to the board. Regent Romero comes with a history of deep roots going back several generations in New Mexico. He is a successful businessman and community leader, with 35 years in the banking industry and just recently retiring as President and CEO of the Albuquerque Hispano Chamber of Commerce, after serving 12 years. Regent Romero will be a positive asset to the Board of Regents as he brings his wealth of experience to this board in terms of business and New Mexico in general. Regent Doughty welcomed Regent Romero on behalf of all of the Regents. Regent Romero thanked Regent Doughty and added he looks forward to serving on the board.

APPROVAL OF MINUTES

Regent Doughty asked members for any comments or modifications to the minutes on the agenda for approval; there were no comments or modifications; Regent Lee motioned approval.

The motion to approve the minutes of the May 11, 2017 regular meeting, the May 24, 2017 Budget Summit, and the April 18, 2017 regular meeting passed unanimously (1st Lee; 2nd Adcock).

PUBLIC COMMENT

Justine Andrews, Associate Professor in the department of Art, spoke about the need to update very old and worn out facilities in the College of Fine Arts. UNM has the largest art program in New Mexico.

Eric Lau, Chair of the department of Music, also spoke about the need for updated facilities. He spoke in support of the Capital Outlay plan for College of Fine Arts Renewal and Replacement that will be submitted to the HED (Tab 7 on the agenda). There are five performance venues and education events during summer, and these housed in some of the oldest building on campus. Recruitment efforts are compromised, especially when UNM's facilities are compared to its peers'.

Mark Narvaez, spoke in support of PNMGC (Project for New Mexico Graduates of Color) to restore funding that was taken away in the fee process, and requested that if funding will not occur through the SFRB process to consider funding as a line item in the budget.

Theresah Napetey, spoke in support of PNMGC (Project for New Mexico Graduates of Color) and shared positive first-hand experiences as a member.

Glenda Lewis, spoke in support of PNMGC (Project for New Mexico Graduates of Color) and gave personal testimony for how the organization helped her. Ms. Lewis requested the Regents reconsider funding because PNMGC provides crucial support.

Regent Doughty expressed support for PNMGC; President Abdallah responded there is an avenue for funding if the budget as presented at the meeting is approved.

ADVISORS COMMENTS

Alaa Elmaoued, GPSA President, encouraged maintaining an open dialogue with graduate students and to put in place a sustainable budget for the future. He also requested to keep the graduate students at the table during the SFRB process and during tuition decisions.

Pamela Pyle, Faculty Senate President, commented the Budget Leadership Team (BLT) spent a good portion of the year researching and finding solutions and helping to identify cuts. Funding is necessary for the creation and promulgation of research, facilities and equipment, and retention of faculty and students throughout the year. Increased revenues are essential to the good health of the University. Ms. Pyle closed with comment that NMSU raised its tuition by 6%.

COMMENTS FROM REGENTS

Regent Brad Hosmer read the following statement regarding the budget with the request that his comments be included in the minutes of the meeting:

Investments in student success in the last five years have proved to yield very high return. Those investments need to be sustained and strengthened or the student successes they produced will slide back. UNM and New Mexico cannot afford not to keep up investments in student success.

Education at UNM is remarkably high-value and low cost. The net cost to UNM students is so low (compared to other equivalent universities) that raising tuition to carry forward our investments in student success is more than reasonable – it is essential.

The proposal to move away from one sticker price for tuition and instead charge different tuition for different course levels and material makes excellent sense, in my opinion, and if anything that approach should be pushed further.

The cost structure of UNM is at or near the lowest among our peer universities. That fact indicates that UNM is currently operating as effectively and efficiently as the best of our peers. We cannot solve our budget pain by squeezing more out of our operating structure and practices, and we cannot afford to pull back on student success investments. Those constraints suggest sacrificing structure, and sizing UNM for the longer term. Actions to do so need to be planned out over a number of years, with internal adjustments phased to allow for minimum pain and sustaining high faculty quality at the individual level, and phased internal realignments suggested by our strategic plan and future demands on UNM. I urge Regent's guidance to the administration to set such planning in motion, to be reported out quarterly to the BOR over the next year building to the budget summit in early 2018.

The academic enterprise at UNM is essential to the future of New Mexico. The HSC is essential both to the future and to the immediate welfare of New Mexicans. I believe it overdue and now imperative that planning toward and achieving more modern hospital facilities be a part of this UNM budget. Moreover, that must be achieved without sacrifice to the medical schools or our medical research – all among the gems in this state.

ELECTION OF OFFICERS – SECRETARY TREASURER

Regent Doughty clarified election of the Board of Regents' Secretary Treasurer is on the agenda due to Jack Fortner's recent resignation from the board, and he was the Secretary Treasurer. Regent Doughty asked for nominations for Secretary Treasurer of the board. Regent Marron Lee nominated Regent Tom Clifford; Student Regent Adcock seconded the nomination. Regent Doughty asked if there were any other nominations; there were no other nominations. Regent Doughty asked for a vote to approve Tom Clifford as Secretary Treasurer of the Board of Regents.

The vote was 6-1 in favor of Regent Clifford for Secretary Treasurer; Regents Doughty, Lee, Clifford, Quillen, Romero, and Adcock voted for; Regent Hosmer voted opposed.

THE PRESIDENT'S ADMINISTRATIVE REPORT AND APPROVAL OF THE FY 2017-2018 CONSOLIDATED BUDGET

President Abdallah opened his report by first responding to the public comments regarding the PNMRC (Project for New Mexico Graduates of Color), stating the President's Initiatives portion of the proposed budget includes funds for the PNMRC for one year, and the group may work out their structure and nomenclature with the Student Fee Review Board for future funding requests.

President Abdallah reported on recent positive press. UNM ranks 3rd in the nation (among 200 institutions) in the "Increase of Critical Thinking" category of the Collegiate Learning Assessment Plus, which measures gains achieved through a national test of students at the freshman and senior levels. UNM ranks 28th among 225 university research institutions in bringing concepts to commercialization and ranks 33rd out of 100 universities in the number of US patents received. UNM received a 5-year, \$12 million award in Earth & Planetary Science from the NSF. Research funding supplements the University budget, supports the academic mission, and contributes to other outcomes. The President's Office plans to announce another major grant award on June 14.

President Abdallah gave an update on student success and retention levels. Upon certification, UNM will award a record number of degrees in 2016-17. For comparisons, the 2010-11 4-year graduation rate was 15%; currently it is 26% and on track to make 30% in two years. The 6-year graduation rate is close to its all-time high at 49%, and on its way to 60% (up from 44% in 2010-11). The freshman retention rate broke 80% for the first time. The achievement gaps between different student demographic groups are closing. The largest group of incoming students are Hispanic; non-traditional and minority groups constitute more than 50% of students. Higher metrics are achieved not by focusing on one particular group, but rather by raising everyone's success rates.

President Abdallah added UNM provides a high-quality education at a reasonable cost with degrees holding value in the outside world. Based on data, for every year that a student stays on track to graduate is approximately \$60k value (based on \$20k cost of attendance plus opportunity cost estimating an average \$40k salary). If UNM does not counter diminished resources, the current positive momentum will recede to the point the University was at in 2008-9 when success rates were much lower because the University was not investing in a student's first year and student support in general. Sustained positive outcomes will benefit the state and its students.

President Abdallah turned to the budget request. As a result of the Regents' May 24 Budget Summit, the tuition increase was approved at a lesser amount than requested, resulting in a \$1 million gap. The University faces a total challenge of \$3 million. To counter this deficit, the administration proposes an upper administration salary and workforce reduction of about \$200k, reorganization and attrition for a \$1.8 – 1.9 million savings, and a one-time use of reserves. This assumes no significant change in enrollment due to unforeseen circumstances. Enrollment could affect the budget positively or negatively.

The Budget Leadership Team, with representation from Main Campus, HSC, the Branch Campuses, and including student representatives, developed a proposal that was incorporated in the Regents' Summit outcome. President Abdallah presented the resulting consolidated budget, which is 2% lower between the originally proposed 17-18 and 18-19 budgets, with the HSC budget increasing by 3.6%, mainly due to hospital and clinical revenues. The Branches' budget is also reduced by 2%. UNM in total has a \$3 billion operating budget; the Academic Affairs (or Instruction and General) budget is \$300 million; Main Campus revenues are approximately \$834 million, a 1.5% net decrease from last year, due to an \$11.5 million decrease in state appropriations and a decrease in State scholarship support, translating to fewer students. The slight reduction in enrollment was due in part to the lottery and other factors, such as demographics.

For the past 1-2 years, UNM has enacted a soft hiring freeze, with administration evaluating open positions and approving hires as needed, taking advantage of workforce reduction and attrition, eliminating positions and reassigning duties. UNM

has instituted cost containment measures that include centralization efforts and stricter guidelines on budgeting use of reserves.

Twenty-two percent of UNM revenue derives from the State, 23% from contracts and grants, and 24% from tuition and fees. 38% of expenditure goes to Instruction & General, 15% goes to student aid and student social expenses. Research revenue is approximately \$93 million and is restricted funding spent on research. Other smaller expenditures include the plant fund, athletics, and public services, such as KUNM, UNM Press, etc.

Total revenue for Branch Campuses is \$50 million, a 2% increase over last year. All Branch budgets decreased, with the exception of Valencia Campus, which received a large STEM grant. State appropriations account for 38% of Branch Campus budgets; 17% comes from local appropriations. Branches spend approximately 80% on Instruction and General and do not have the other expenditures that Main Campus has, and tuition is lower. About 3% of their budget comes from research.

President Abdallah stated UNM provides an affordable, high-quality education to a broad group of families and students, mostly middle-class. When it obtains a high ranking in academics or athletics, there is more interest and the value of a UNM degree rises. The positive slope currently achieved must be maintained. The Honors College ensures our most talented students do not have to leave the State or sacrifice affordability to experience a small, liberal arts education; UNM needs to continue investing in that segment to attract the top New Mexican students. We focus mostly on needy students, who require financial and academic support. We do very well with our top 10% and the middle 50% of students; 40% need support in navigating their education. Great flagship universities serve the entire range between at-need to advanced students and impart critical thinking skills necessary for future employment.

President Abdallah stated in the September Board of Regents meeting, administration will provide a more detailed presentation about the FY17 situation, FY18 state funding reduction effects, and a complete report on all balances.

Finally, the Legislative Finance Committee is currently conducting a study on cost drivers for higher education in the State, meeting with 10 institutions statewide, including larger and smaller ones, to ascertain what the cost drivers are and what institutions are doing to cut costs and increase revenues for the State as well as themselves.

President Abdallah took questions from the Regents before turning over the presentation to HSC Chancellor Paul Roth.

Regent Clifford asked for clarification on the characterization of the Regent Budget summit vote, stating it creates the impression that the vote resulted in a \$3 million budget deficit. He stated that in fact, the Regents voted to reduce the budget by \$1.1 million. President Abdallah responded Regent Clifford was correct. Regent Clifford clarified the budget reflects a 2.5% decline in base tuition revenues, so it does include enrollment level considerations due to the changes in the lottery scholarship. President Abdallah clarified that when he stated "no significant change in enrollment," he referred to anything beyond the 2% decline that was projected. Regent Clifford asked for confirmation the 2% figure was based on budget office analysis of the order of magnitude of past tuition impacts. President Abdallah confirmed.

Regent Clifford noted UNM has already realized significant savings; the FY18 budget contemplates even less savings than what has already been realized, which is reasonable and achievable. He noted UNM ended this fiscal year on better terms regarding the use of reserves than originally expected, showing the balance of containing costs and meeting mission requirements. He complimented President Abdallah and staff. President Abdallah responded he will present detailed information on reserves in the fall.

Regent Quillen commended President Abdallah, faculty and staff for the increase in graduation rates and noted when she began her tenure as a Regent, UNM had a 12-13% four-year graduation rate. She recognized the effort it took to reach current numbers in such a short time. President Abdallah thanked her and noted that the improvements required the efforts of more than 200 people focusing on students in their first year and added UNM is already using many initiatives currently being reported in the national media as ideas for student retention and graduation. Two years ago, UNM began to focus on learning outcomes as intently as rates, increasing (and never lowering) standards and targeting support to needy students.

Regent Quillen inquired if and when reserves have been used in the past. EVP Harris responded during the recession UNM relied on approximately \$14 million of reserves, embedded in recurring spending. Over time, that was corrected. Recently, in the last year, UNM used reserves to sustain the spending level while holding the line on hiring with the hope of being back in balance by the conclusion of FY17. He noted administration does not want to rely on non-recurring funds.

Regent Lee commented UNM's Honors College is ranked in the top 25 nationally among public institutions and inquired if its physical plant was one of the reasons UNM was not ranked higher. President Abdallah clarified depending on metrics used, various factors can be weighted more heavily in favor or against an institution or program, but he did believe that a better facility most likely does play a factor in the noted ranking, stating that ASU has a better facility attracting more students to their Honors College. Regent Lee asked if Honors College students factor into graduation rates, remarking that they typically enroll, graduate, and get employed quickly. President Abdallah responded Honors College numbers help graduation rates tremendously, with many students graduating in less than 4 years. He added that because Honors College graduation rates are not a problem, they are not a focus. Regent Lee noted the contribution to rates is still important since "all tides lift boats"; President Abdallah concurred.

Chancellor Roth assumed the presentation, introducing the Health Sciences Center budget. The HSC develops its budget, beginning with an annual review of the rolling 5-year strategic plan, then planning operations by setting metrics for performance for the following fiscal year. Potential challenges are identified during this process; Dr. Roth highlighted several of them as follows, as they pertain to Academics and/or the Health System:

- Technical advances;
- Lagging faculty compensation in comparison to national benchmarks;
- Continued growth for the Population Health College, beyond the baccalaureate program;
- The resignation of three deans: Nursing, Pharmacy and Population Health--Nursing and Pharmacy deans will be replaced this year;
- Risk-based contracting, which requires significant changes in clinical enterprise management and in systems;
- The loss of the mil levy in Sandoval County; and
- Demand for a new, modern medical facility based on both the insufficient number of beds and the age and disrepair of the current facility. Dr. Roth noted UNMH is the only quaternary care center in New Mexico and in the past 12 months has had to reject 1,000 transfers from other in-state hospitals. At any given time, UNMH must close 4-6 beds due to raw sewage or broken critical infrastructure.

Ava Lovell presented the UNM HSC budget, at \$2 billion for FY18, with the following breakdown: UNMH, \$1.1 billion; SRMC, \$84 million; UNM Medical Group, \$229M; and the Academic Enterprise, \$636 million. Ms. Lovell first focused on the unrestricted funds in the Academic Enterprise budget, totaling \$508 million, which can be divided into the Department of Higher Education exhibits (mission areas). Public service comprises \$312 million with the inclusion of clinical departments. UNM HSC Instruction & General is budgeted at \$119 million (23%). Independent operations (OMI, house staff, other) comprise \$47 million. Broken down by unit, the School of Medicine comprises 80% of the unrestricted budget; the College of Nursing, \$12.2 million; the College of Pharmacy, \$12.2 million; and the College of Population Health, \$2 million. Unrestricted research comprises \$10 million; physical plant, \$10 million; academic support, \$24 million; and administration, \$35 million across the HSC.

There was a decrease of state funding of 1%. Out of House Bill 1, the Cancer Center was asked to put \$1 million from reserves into non-recurring expenditure. The HSC has budgeted \$3 million for targeted salary increases to meet the 25 percentile of the AAMC benchmark salaries, if funding is able. There was a small increase in-group health insurance of 4.6%. The HSC has budgeted for a small increase of utilities due to a new building, and also have budgeted for the searches and start-up packages for new Deans of Nursing and Pharmacy.

Ms. Lovell showed the trend between the FY16 actual budget, the FY17 original and revised budgets, and the proposed FY18 budget. The small net margin realized in FY16 has been erased due to State funding cuts, but the HSC ensured to contain costs and break even.

Regent Clifford asked for clarification regarding the apparent increase in total funds for FY17 and decline in total funds in FY18 displayed on Ms. Lovell's slide entitled "HSC Academic Enterprise FY17 and FY18 Net Margin Are in the Red Primarily Due to State Appropriation Cuts" (slide 15; ebook p. 97). Ms. Lovell stated the increase and decline appear to be larger than they actually are. She displayed slide 16, entitled "Comparative Analysis: Prior Year - Current Year - Next Year" to show the cost containment efforts trend more clearly, noting that while increasing clinical volume also increases expenditure, it allows the HSC to break even by narrowing the gap between expenses and revenues. Regent Clifford requested to receive detailed information regarding these figures. He also asked Ms. Lovell to comment on where the \$12 million would come from to close the gap in the proposed FY18 budget (as noted in the "transfers" line on Slide 16). Ms. Lovell responded the \$12 million is comprised of the net from transfers from Main Campus to HSC for tuition and formula funding. \$2.5 million is transferred out of the HSC to the plant fund. Regent Clifford asked to obtain the details for the transfers line; Ms. Lovell agreed to provide them.

Ms. Lovell reviewed the Health System Budget. UNM Hospital (UNMH) comprises 2/3 of the health system budget, at \$1.1 billion. Revenue assumptions of \$16.5 million are based on an increase in volume due to demand and contracting. Providers are assigned a metric based on number of patients, length of appointments, number of surgeries, births, etc. UNM HSC has made improvements to the revenue cycle in terms of documentation and billing that will result in additional revenue. The HSC is also working on shared savings and other value-based contracts. UNM Cancer Center volume will drive an additional \$8.1 million in revenue based on clinic capacity increases.

Regent Lee asked if value-based contracting was built into the projections. Ms. Lovell responded in the affirmative. Regent Lee asked that if the value-based contracting were removed, what would be projected. Ms. Lovell could not answer, partially because it is not an option to remove it. Regent Lee asked what kind of cut the HSC is expecting based on the value-based contracting. Ms. Lovell responded the HSC has already identified where care can be managed better to realize a shared savings with the contractor, and confirmed that the HSC can indeed be penalized in value-based contracting if it does not perform, but this is not expected.

Regent Clifford stated the revenue cycle improvements do not appear to be recurring, but rather, turning receivables into cash more quickly, which would not represent growth over time. Ms. Lovell responded the improvements mentioned are in regards to increasing documentation of notes for billing, ensuring that every bill from all sources – clinics, hospital, lab—are better reconciled, therefore cycle improvements do represent increased revenue, not just receivables manipulation. Dr. Roth clarified cycle improvement is a different process than receivables. He defined the revenue cycle as follows: if in one year a provider sees 1,000 patients and receives X amount of money in turn, and then continue to see those 1,000 patients, working out a better way to bill and perform collection for those 1,000 patients results in recurring revenues on an annual basis. Regent Clifford asked if a correct interpretation would be that claims are denied and the HSC is unable to resolve that process with a third-party payer quickly enough. Dr. Roth responded a small portion is related to the timeliness of bill submission, but it is mainly related to the ICD10 codes, which increased from 70,000 codes to several hundred thousand codes. The HSC has had to design systems around the code changes, so it is not just timely submission, but also improved documenting billing. UNMH expenses include increases in medical services, medical supplies and equipment. As far as non-operating revenue and expenses, the HSC projects the mil levy will increase by 2.4%, while State appropriations for Carrie Tingley Hospital and the Psychiatric Hospital will reduce by 1%. UNMH will have a small decrease in interest expenses.

The Sandoval Regional Medical Center faces a challenge due to the loss of the mil levy, but the HSC administration projects an increase in revenue of \$5.9 million through various means, including provider metrics, capacity, and cutting salaries and benefits by \$4.5 million.

Regent Quillen inquired how the salaries and benefits were cut or planned to be cut and if it was related to layoffs. Ms. Lovell responded a small amount of staff were laid off when the SRMC closed its Behavioral Health psychiatric beds, but the majority of savings are realized through attrition. No major layoffs are planned. The administration is ensuring operations are efficient.

The UNM Medical group projects a volume growth of 5.5%, with revenue cycle improvements of \$1 million. They have budgeted salary increases that mirror increases in other HSC areas and have held their overhead cost increase down.

Ms. Lovell showed a trend regarding net margin. There was a net margin for UNMH of about \$15 million at end of FY16, which has disappeared due to Medicaid cuts last year, and Molina and United contract issues of about \$40 million. Although HSC expenses are increasing, the administration is budgeting a break-even budget at \$4k for the overall HSC system. UNMG has had some margin, due to non-recurring meaningful use revenue from the Centers for Medicare & Medicaid program; there will be a little more coming this year, then that funding source will discontinue.

Regent Clifford inquired when the Medicaid reimbursement rates for the State for the coming fiscal year will be known. Dr. Roth responded Steve McKernan is working with the HSC on this; they are waiting for congressional action as well as clarification regarding some issues surrounding waivers. Regent Clifford commented utilization under the current waiver appears to be forecasted at status quo. He asked if the current waiver was expiring soon. Dr. Roth replied it was the centennial. He noted in New Mexico, even if there are no changes in the waiver, the funds flow will be modified. He noted there is much discussion at the HSC and the Hospital Association regarding the contract with the MCOs. Regent Clifford asked if the changes take place on July 1 or January 1. Dr. Roth replied he believes it is January 1.

Regent Clifford inquired the status of the MOU with the County on hospital and property tax revenues. Dr. Roth replied the HSC and Indian Health Services are reviewing a final draft. Dr. Roth noted there has been another positive variable that all parties are interested in reviewing, and that has delayed the process, but terms have been agreed to. Regent Clifford

asked if it will affect the bottom line, and Dr. Roth noted the HSC has already incorporated the changes.

Regent Clifford noted there were recent headlines reporting changes in CMS reporting and federal funding, and investigation of the misuse of funds. He requested Dr. Roth research this information and report if there are implications for UNM. Dr. Roth responded CMS has an established office to regularly investigate the misuse of funds. Dr. Roth is unaware of any investigations in New Mexico, and certainly not at the HSC, but he will investigate and report back to Regent Clifford. Regent Clifford requested he report back to the Audit Committee with that information.

Regent Quillen commented that a hospital built two years ago on the New Mexico side of El Paso is now occupied with New Mexico patients who could be receiving specialty services here in NM instead. She noted the loss of revenue for UNM and the State, and the loss of service for citizens. She requested a progress update on the planning for the expansion and a new hospital before it goes to the Board of Finance. President Doughty suggested Dr. Roth provide an informal update at present. Roth stated the first phase of planning is completed for a modern medical facility. The process revealed the need to replace all adult in-patient beds (408) both med/surg and behavioral health and add some associated clinics to the facility. The total project would cost close to \$800 million. Because a full-facility build would be cost prohibitive, a reasonable first phase was identified as a 420-bed facility. Next steps are for Steve McKernan, David Harris and Dr. Roth to brief the Board of Finance in July, then return to the Board of Regents with a request for approval for the second phase of planning to include design for the 420-bed facility, taking 15-16 months. We would then have a construction project for the HSC committee to review and approve, then to the Board of Regents for approval, then to the Higher Education Department for approval, and then back to the Board of Finance ultimately for approval.

Regent Quillen suggested it would take 2-3 years for planning. Dr. Roth clarified \ it would most likely be a year and half before a construction plan could be presented. Regent Quillen requested to see the documents that will be presented to the Board of Finance before the July meeting.

Regent Clifford commented per bed cost is approximately double the construction cost discussed during the last iteration and emphasized the need to receive more information from the architects regarding what is driving the increased cost.

Turning back to the presentation, Regent Clifford commented the volume-related increased revenue of \$16 million portrayed on slide 12 seemed low at 1.5%. Ms. Lovell responded it is lower and was closer to 3% this year, but without additional capacity, getting the 1% was derived by reducing length of stay and increasing efficiencies.

Regent Clifford inquired the risk to the budget if that number is lower or higher and if there is a contingency of expenses that can be prioritized to save funding. Dr. Roth replied the HSC employs a process of reviewing finances on a regular basis, with a monthly finance meeting of COOs to review data, allowing the administration to tweak the budget as needed. Dr. Roth added every time a clinical faculty member is hired, there is a pro forma to understand the cost of the clinician, the overhead associated, and the revenues expected. During the cost of the year, those projections are revisited to review actual expenses and tweak the clinical enterprise to adapt to any necessary changes. The eventual hope is for a recurring surplus that will allow the HSC to address in a meaningful way its compensation issues. Regent Clifford thanked Dr. Roth, and requested again to review the detail on the transfers in committee. Ms. Lovell agreed.

There were no further questions. President Abdallah requested the Regents' approval of the Fiscal 2017-18 Consolidated Operating and Capital Budget.

Before the vote, Regent Doughty thanked everyone for their hard work, administration, faculty, staff, students and other constituent groups. This is a long process and it took a lot of people's time. In these budgetary situations, it is difficult to please everybody, and a lot of give-and-take is needed. Regent Doughty said he looks forward to continuing and improving on the successes that have been made. Regent Doughty said he supports this budget.

Regent Lee thanked the Health Sciences Center and recognized the HSC was not able to make its full budget presentation at the May 24 Budget Summit because the meeting time drew out very long. She thanked Ava Lovell and Paul Roth for the presentation made at this meeting.

Regent Clifford motioned approval of the Fiscal 2017-18 Consolidated Operating and Capital Budget; Regent Lee seconded the motion. President Doughty asked for a show of hands in favor of the motion; the vote was 7-0 in favor; the motion passed.

REGENT COMMITTEE REPORTS

CONSENT DOCKET

Regent Doughty addressed the consent docket and asked if there were requests to take an item(s) off of the list for further discussion; there were no requests; Regent Doughty asked for a motion to approve.

1. Finance and Facilities Committee (F&F) Consent Items

- a. Approval of Disposition of Surplus Property for Main Campus for May 2017
- b. Approval of Annual Renewal of Maui HPCC Lease
- c. Approval of Real Property Disposition: Timberon Lots (2)
- d. Approval of Naming Request from the School of Medicine for Naming a Position in the Department of Dermatology

The motion to approve the items on the Consent Docket passed by a unanimous vote (1st Lee; 2nd Clifford).

HEALTH SCIENCES CENTER COMMITTEEApproval of the UNM Hospitals Contracts with Intuitive Surgical, Inc. and Philips Healthcare

Ava Lovell presented the item. Discussion took place in committee. The contract with Intuitive Surgical, Inc. is for the purchase of an upgrade of da Vinci Robotic Surgery System. This is an essential item, and the current system is about nine years old. The total contract amount is about \$3 million. The second contract is through Philips Healthcare and is an overall maintenance but also replacing 750 patient bed monitors with state of the art monitoring capabilities that will also enhance efficiencies. The current equipment is ten years old. The total cost is \$15 million and this equipment can last up to ten years.

The motion to approve the UNM Hospitals Contracts with Intuitive Surgical, Inc. and Philips Healthcare passed by a unanimous vote (1st Clifford; 2nd Adcock).

FINANCE AND FACILITIES COMMITTEEApproval of Smith Plaza/Union Square Renovation

Lisa Marbury presented the item. This project will revitalize the area between the Student Union Building and Zimmerman Library as a gathering space and 'great room' for students, faculty, staff and visitors who come to our historic campus. It will address reconfiguration of existing plaza open spaces, ramps and stairs, to enhance accessibility and safety. Included in the project will be new lighting and Wi-Fi. The total estimated project budget is \$3 million with \$2 million funded from 2016 institutional bond, and \$1 million funded from 2017 institutional bond. There was discussion about Sherman Smith, who was UNM's vice president for administration and development in 1965.

The motion to approve the Smith Plaza/Union Square Renovation passed by a unanimous vote (1st Clifford; 2nd Hosmer).

Approval of Capital Outlay Submission to the Higher Education Department

Lisa Marbury presented the item. The request is for eight projects to move forward to the Higher Education hearing in July. The list of projects as presented in the agenda eBook are proposed for capital outlay in the next legislative session.

Regent Lee commented with regard to the Honors College project and the recent discussion during the budget presentations about the importance of student success. The Honors College has 80% retention, 4-year graduation rate increase and is named nationally in the top 25.

The motion to approve the Capital Outlay Submission to the Higher Education Department passed by a unanimous vote (1st Clifford; 2nd Adcock).

PUBLIC COMMENT (no comments)

ADVISORS' REPORTS (no comments)

VOTE TO CLOSE THE MEETING AND PROCEED IN EXECUTIVE SESSION

The vote to close the meeting and proceed in Executive Session passed unanimously (1st Lee; 2nd Romero).

The meeting closed at 10:57 AM.

Closed session was held in the Cherry Silver Room on third level of the Student Union Building. Members present during closed session: Garrett Adcock, Alex O. Romero, Tom Clifford, Rob Doughty, Marron Lee, Brad Hosmer, Suzanne Quillen. The agenda was as follows:

1. Discussion and determination where appropriate of the purchase, acquisition or disposal of real property as permitted by Section 10-15-1.H(8), NMSA (1978)
2. Discussion and determination where appropriate of threatened or pending litigation as permitted by Section 10-15-1.H(7), NMSA (1978)

VOTE TO RE-OPEN THE MEETING AND CERTIFICATION THAT ONLY THOSE MATTERS DESCRIBED IN THE CLOSED SESSION AGENDA WERE DISCUSSED DURING CLOSED SESSION

The vote to re-open the meeting was unanimous (1st Lee; 2nd Adcock).

The meeting re-opened at 12:10 AM; the doors to the Cherry-Silver room were opened.

Regent President Doughty certified that only those matters described in the closed session agenda were discussed in closed session and there was no item upon which to take action in open session.

ADJOURN

The vote to adjourn the meeting passed unanimously (1st Lee; 2nd Adcock).

The meeting adjourned at 12:10 PM.

Approved:

Attest:



Robert M. Doughty III, President



Tom Clifford, Secretary/Treasurer