

**Minutes of the Regular Meeting of the Board of Regents of the University of New Mexico
October 17, 2017
Student Union Building (SUB) – Main Campus
Executive Session – Cherry Silver Room
Open Session - Ballroom C**

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; Craig White, Interim Provost and EVP for Academic Affairs; Elsa Cole, University Counsel; Ava Lovell, HSC Sr. Exec. Officer of Finance and Administration;; Eliseo 'Cheo' Torres, VP Student Affairs; Elizabeth 'Libby' Washburn, President's Chief of Staff; Liz Metzger, Controller; Lawrence Roybal, Acting VP for Division of Equity and Inclusion

Regents' Advisors present

Kathy Guimond, Retiree Association Past President; Pamela Pyle, Faculty Senate President; Danelle Callan, Staff Council President; Noah Brooks, ASUNM President

Presenters in attendance

Richard Wood, Senior Vice Provost for Academic Mission, Office of the Provost; Pamela Cheek, Interim Associate Provost for Curriculum and Assessment, Office of the Provost; Norma Allen, Director, OPB&A; Nicole Dopson, Director, Financial Operations, Office of the Provost

Others in attendance

Members of administration, faculty, staff, students, the media and others.

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

Regent President Rob Doughty called the meeting to order at 9:02 AM; all members were present in person. Before approval of the agenda, two modifications to the agenda were requested:

- 1) Move presentation of both ASAR information items before President's Admin Report
- 2) Remove from the agenda F&F action item 2, "Pre-approval of FY18 Budget Adjustments to be incorporated into the master BAR"

The motion to adopt the modified Agenda passed by a unanimous vote (1st Romero; 2nd Quillen).

APPROVAL OF MINUTES

Regent Doughty enquired if there were comments or modifications to the minutes on the agenda for approval for the September 12, 2017 regular meeting and the October 3, 2017 special meeting.

Regent Alex O. Romero made comment regarding the Strategic Plan process and to include the Regents as part of the process.

The motion to approve the minutes of the September 12, 2017 regular meeting and the October 3, 2017 special meeting passed unanimously (1st Adcock; 2nd Clifford).

ACADEMIC/STUDENT AFFAIRS AND RESEARCH COMMITTEE

Richard Wood, Interim Senior Vice Provost for the Academic Mission, gave an introduction and overview of his portfolio and goals; presentation slides were included in the eBook.

Pamela Cheek, Interim Associate Provost for Curriculum and Assessment, gave an introduction and overview of her portfolio and goals; presentation slides were included in the eBook.

Regent Clifford requested information regarding which line items of the budget should be focused on regarding high impact practices such as advising, unique courses to cater to underserved students, and improvement on graduation rates be presented to the Finance and Facilities Committee.

Regent Quillen inquired what is being done to attract students to General Education, what does UNM have to offer? Currently the task is to develop a cohort of courses for General Education that are distinguished as such.

THE PRESIDENT'S ADMINISTRATIVE REPORT

President Abdallah thanked the Drs. Wood and Cheek for their presentations and opened his report with a focus on the academic mission. The lottery scholarship changes resulted in a decrease of 1,000 recipients and approximately \$6 million. UNM was able to recover some of the cost with financial aid, but not all of it. There were approximately 150-200 students who dropped out due to the lottery. Some students who remained are absorbing the cost of lost scholarship funds themselves.

President Abdallah turned to UNM's research mission, which is integral to the education mission. He announced a new \$2 million National Institute of Health grant received by the department of Chemistry and Chemical Biology in collaboration with the Cancer Center, for a 5-year renewable program, which will also support graduate students, post-docs, and undergraduates who will work on the project.

UNM's College of Population Health received its first grant, for \$7 million, with cross-campus Principal Investigators from Population Health, Psychiatry, Psychology and Political Science to look at the social determinants of health. It is a prestigious grant from the National Institute of Minority Health and addresses an issue critical to New Mexico, growing a diverse workforce from underrepresented minorities, with funding to train students as well as to conduct the research component.

President Abdallah updated the Board on the Department of Justice (DOJ) agreement. UNM recently submitted the first of three yearly reports to the DOJ, which included the following information:

UNM has

- trained 17,500 students in person;
- established collaborations across campus with the UNM Police Department, Dean of Students, Office of Equal Opportunity, and others;
- conducted more than 15,000 hours of training focused on Title IX;
- revised and improved policies;
- conducted climate surveys at Main and Branch campuses; and
- surpassed the agreed upon level of faculty and staff training at 99% completion.

President Abdallah noted the LBGTQ Center recently moved to a more modern facility, accomplished with state capital funding allocated by Senator Candelaria two years ago. The Center now includes ADA compliant access.

President Abdallah concluded his report by expressing concern about how UNM will address its missions in light of fiscal challenges and stated he will address this issue during the request for reserves portion of the Board meeting.

Regent Clifford inquired if the Regents would be receiving a copy of UNM's report sent to the DOJ. President Abdallah replied that it has been sent to the Audit Committee and is waiting committee action, and that the President's Office will send it to the full Board of Regents as well.

PUBLIC COMMENT – related to items on the agenda

No comments

REGENT ADVISORS COMMENTS – related to items on the agenda

No comments

COMMENTS FROM REGENTS

Regent Clifford comments that the Audit and Compliance Committee has submitted the meeting notes from the August 25, 2017 meeting as an information item on this agenda and will meet on Wednesday, October 18, 2017 where the audit report for FY17 will be presented.

Regent Hosmer drew attention to the post-65 medical benefits discussion from the September 17 meeting, and that administration will get involved to explore other suggestions and possibilities for those events in which earlier interventions can take place so that the community is not faced with abrupt fact of life changes. He requested administration publish a calendar for the Regents to inform them when those earlier interventions will take place so there is confidence that the community is not faced with last minute life changes.

REGENT COMMITTEE REPORTS**CONSENT DOCKET**

Regent Doughty addressed the following consent docket and asked for a motion to approve.

1. Finance and Facilities Committee (F&F) Consent Items
 - a. Finance and Facilities Committee Meeting Summary from September 5, 2017
 - b. Approval of Quarterly Financial Actions Report and Certification through June 30, 2017
 - c. Affirmation of UNM Five-Year Capital Plan

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

FINANCE AND FACILITIES COMMITTEE

Approval FY 17 Main, HSC and Branch Campus Categorization of Reserves Report pursuant to UAP 7000

President Abdallah presented the yearly Categorization of Reserves report pursuant to UNM Administrative Policy 7000. His presentation was divided into two categories: 1) the hospital, which has reserves under operations and capital initiatives; and 2) Main Campus academic units, HSC academic units and Branches, which have reserves for plant funds and operations. These reserves are classified into three components: committed, dedicated or discretionary.

President Abdallah stated UNM retains reserves in order to have liquidity for bond ratings and to mitigate unplanned reductions to funding, as well as for wide fluctuations, such as healthcare reform at the hospital. He noted reserves are non-recurring resources, and the University cannot in general use reserves to build the budget, but rather to avoid cuts to mission critical components or to use for critical infrastructure maintenance. UNM also uses reserves for research and clinical care that is reimbursable.

UAP 7000 states all departments must categorize and report reserves each fiscal year. Information flows first from department or unit accountants, through department chairs or directors, through college deans or vice presidents, through the Provost or the Executive Vice President, through the President's Office, to the Board of Regents. UAP 7000 requires reserves be classified in three categories: 1) committed, meaning there exists a legally binding agreement, such as a gift from a donor, that stipulates UNM cannot use the funds for other purposes; 2) dedicated, meaning there is a clear and focused purpose approved by a Dean or higher executive, such as hiring packages with startup funds that will become legally binding once a contract is signed; and 3) discretionary, which are funds remaining when you deduct the two previous categories.

Regent Clifford inquired about use of the term "unrestricted" in President Abdallah's presentation materials, and how it applies to the three categories defined. Ava Lovell, HSC Senior Executive Officer for Finance & Administration, responded the term "restricted" is related to the accounting system for grants and contracts and is not applicable in this context. Regent Clifford suggested for clarity in the presentation the use of the terms "unrestricted/restricted" should be dropped or footnoted, since they are not a relevant constraint contextually.

President Abdallah continued his presentation, stating that reserves are unspent funds accumulated from previous years. He clarified that reserves cannot be spent on salary increases in the recurring budget, but can be spent as a one-time bonus, as has been done for staff previously. Committed and dedicated funds are not available for spending; only discretionary funds are accessible for use. UNM cannot spend Hospital or Branch reserves on campus operations due to legal agreements that state those funds must be spent on their respective operations.

The UNM Hospital has capital initiatives reserves of \$202 million and operations reserves of \$221 million committed under the United States Department of Housing and Urban Development (HUD) mortgage contract and Bernalillo County lease agreements to be spent only at the Hospital.

University Plant and University Operating reserve funds are used for non-recurring building or land acquisition and construction improvements to the physical infrastructure of UNM. The UNM Plant Fund has committed reserves of \$187 million (excluding the Hospital). Bond receipts for the Physics building are included as well as dedicated start-up funds that will lead to committed legal agreements upon hire.

Regent Clifford inquired if the Hospital capital initiatives are committed by legal, contractual obligation. President Abdallah responded upon borrowing the money for the Hospital, per HUD, UNM committed these funds for Hospital use only. Regent Clifford stated that it would be beneficial to revisit the HUD commitments. Although any plans UNM makes regarding institutional support and facility development, etc., must be made in coordination with HUD to ensure obligations are being met adequately, it is not equivalent to a commitment of those funds. Dr. Roth responded in the context of the reserves report, the funds are committed in the sense that these funds can only be used for the Hospital. He noted there is indeed a broader discretion within the use of these funds with approval by HUD. Regent Clifford noted the indicated categorization as dedicated, rather than committed, with the understanding that there is identified use, but not a legal commitment. Dr. Roth responded that other than a requirement to maintain a certain balance, the funds are

dedicated under the terms of the agreement. Ms. Lovell added the dedication is similar to the Branches – the Branches have reserves that may not be committed to other projects in the broader context. Although Policy 7000 states discretionary and dedicated funds are available for UNM executive leadership to spend on anything they want, they cannot use Branch and Hospital reserves. The context of the Bernalillo County lease states the Regents will only use hospital funds for hospital operations. Regent Clifford requested a memorandum outlining the commitment of those terms and Dr. Roth agreed to provide it to the Regents.

President Abdallah continued, stating the \$35 million in dedicated Plant funds are mostly for Administrative units, such as housing, the bookstore, utilities, etc., typically for the next phase of a project. He noted this figure includes a large portion of dedicated funds for the Branches, which are not available to spend on Main Campus or at the HSC.

With committed and dedicated reserves removed from the Plant Funds, there remains \$4.6 million in discretionary reserves, with \$4 million available to Main Campus, \$600k for Branches, and a small amount for the HSC. President Abdallah noted the HSC has already spent discretionary funds and that is why their portion is small.

The total ending reserves for Operations is \$161 million, which includes the HSC academic units, Main Campus, and the Branches (excluding the Hospital). UNM's campus operations unrestricted budget is approximately \$1 billion. Discretionary reserves are equivalent to 1.84% of UNM's total budget. President Abdallah noted a benchmark of 5% or \$53 million in UNM's case.

The largest portion of Operations committed reserves are donor mandated. UNM also commits 3% of Operations reserves for the Higher Education Department. The administration has dedicated \$2 million from this 3% reserve to cover the tuition shortfall.

There remains \$52 million of dedicated and discretionary Operations reserves. Main Campus dedicated funds comprise \$6.8 million, which includes purchasing equipment, deficit reduction plans, professional services contracts, and start-up package funds. Dedicated Operations funds for the Branches total \$4.5 million. HSC dedicated funds total \$21 million, comprised of research funding, deficit reduction plans, and start-up packages. This leaves \$19.4 million in discretionary reserves.

Regent Clifford sought further clarification on the nature of the deficit reduction plans. Ms. Lovell used the example of the Office of Medical Inquiry (OMI), which moved into a larger facility with increased utilities cost while their budget remained static. The HSC had asked to increase their budget to no avail; because OMI needed to continue operation, they have built a deficit. The HSC has worked to correct this for two years and OMI has received some funds from the State and readjusted its operations. Although they have a deficit reduction plan and have begun to reduce the deficit, it still exists and is shown in dedicated funds. She noted the figure in the presentation included other entities with deficits as well. Regent Clifford commented that the deficit reduction note indicating "future year operating budget" was confusing, as the figure reflects deficits accrued to date. Ms. Lovell concurred. President Abdallah also noted the figure declines yearly with repayment.

President Abdallah continued noting UNM has \$19 million in discretionary funds, with \$8 million available to Main Campus and \$8 million available to the Branches, mostly for use in Academic and Student Affairs. For the HSC, the total academic enterprise has access to \$3 million.

President Abdallah noted financial pressure points resulting from lower tuition and a drop in revenue from fees. When UNM was trying to meet its budget last year, it utilized \$1.9 million from Academic Affairs. Nicole Dopson, Director, Financial Operations for Academic Affairs, noted Academic Affairs plans to cover the shortfall with \$1 million coming through staff vacancy savings and the hiring review process, and proposed the remaining \$900k come from reserves.

Regent Romero inquired UNM's target percentage for reserves, noting the 5% benchmark and expressing concern about the 1.84% actuality. He also inquired how these numbers have changed in the past three years. President Abdallah responded UNM has \$20 million combined in Operations and Plant discretionary reserves and he hopes to use these funds to begin revenue-generating initiatives. In the last few years, reserves have declined. At one point, UNM had a built-in \$14 million hole in the budget yearly and effectively had no reserves. Although UNM has less than \$25 million in discretionary reserves, dedicated reserves are available in the case of a true emergency. Regent Romero noted attrition will only address part of problem and inquired how UNM should be positioning itself for the next 18 months, considering the financial pressure points. President Abdallah noted use of reserves will address the next academic year and expressed the model of cost reduction and attrition is not a long-term solution. He stated UNM must increase revenues, one of the goals of re-engineering the University. Regent Romero concurred. President Abdallah expressed that without reserves, the University would be faced with cutting programs.

Regent Quillen inquired about the Athletics Department deficit and reduction plan. David Harris responded the Athletic Department and UNM Press deficits are reflected within the \$12 million figure. EVP Harris added that there is a deficit reduction plan in place, but Athletics has not been able to make payments because they have been operating in a deficit. President Abdallah added that administration is developing a new deficit reduction plan as part of the Athletics Department review.

President Doughty inquired about the UAP 7000, which states each department is responsible for reserve categorization as committed, dedicated, or discretionary and requested clarification regarding who is classifying the reserves. President Abdallah responded it moves from the department level, to the school or unit level, to the Provost or EVP level, to the Office of the President. Norma Allen, Director, University Budget Operations, explained the Budget Office system to categorize reserves, beginning with department accountants inputting information with sign off by the director or chair, then review by the Dean with approval. The input then moves through a next-level review at the Vice President level, and is then reviewed and approved at the Provost and EVP level, then the report is compiled. She noted that this is the first time they have presented a consolidated report to give the full picture, rather than separate reports from Main Campus and the HSC.

President Doughty inquired if there is an independent review of the classification of each reserve. Ms. Allen responded this information is included in the Audit Report and submitted to the Controller's division. President Doughty inquired if, during review, classifications are ever changed. Ms. Dopson responded that Academic Affairs created a threshold over a certain dollar amount to review classifications. From there, if any are deemed inappropriately classified as committed, back-up documentation is requested, and if a legal obligation is not established, the classification changes from committed to dedicated. President Doughty inquired if there are instances when dedicated funds are reclassified to discretionary. Ms. Dopson stated that as long as the Office of the Provost has a documented memo from the chair to the dean outlining expectations of how funding will be used, and it is deemed reasonable within the academic mission, the Office of the Provost will not change dedicated funds to discretionary. President Abdallah noted one exception: if a department is trying to hire someone for the next year, and they do not, those funds are reclassified as discretionary. Ms. Allen noted within EVP Harris' units, there are times when the information entered into the system does not have a clear purpose, and uses very general terms, and the Budget Office will reclassify it as discretionary. President Abdallah reiterated the two types of circumstances when funds are reclassified to discretionary, but stated he did not know how many times those reclassifications have taken place. Ms. Dopson noted the Office of the Provost categorizes funds yearly, so funds that were dedicated in one year may not be in the next.

President Doughty inquired whether Ms. Dopson would agree that it is beneficial to departments to categorize reserves as dedicated as opposed to discretionary. Ms. Dopson agreed, but noted the deans must approve classifications. President Doughty noted that the chair and dean are likely to be aligned on beneficial classifications and Ms. Dopson agreed.

President Doughty requested that out of concern for a conflict of interest a third party be engaged to review classifications. Regent Clifford stated that Internal Audit reviewed the process approximately a year ago and requested that their report be distributed to the Regents. President Doughty noted that it was difficult to comprehend that out of \$429 million in reserves, only \$4 million, or less than 1%, is classified as discretionary.

Regent Clifford requested a timeline with ending reserve balances and an update with actuals versus projected use of reserves be reported yearly. He noted the HED 3% reserve included in the \$110 million of committed reserves for Main Campus and the HSC educational enterprise was not mandated, but in response to guidelines, and might better fit into the dedicated category. He also noted the line item called "Main Campus FY18 tuition shortfall of \$2.4M" has an entry for \$2M, appearing to be a projected use of funds during FY18 and not truly committed. He inquired if the Regents had approved that draw. EVP Harris stated that it was embedded in the scenario the Regents approved last spring at the Budget Summit and that Regent Clifford was correct that it was not a budget function of FY17, but a function of FY18. President Abdallah stated those funds were committed and already spent. Regent Clifford clarified the shortfall is a reference to what was budgeted last spring, not relative to the current budget.

President Doughty returned to classification. Given the definition that committed reserves require a binding document and dedicated reserves require a clear and focused purpose, it appeared discretionary reserves did not have a firm definition beyond being money departments could not discern how to spend. President Abdallah likened discretionary reserves to a savings account. He noted that if discretionary funds had been spent, the University would have to cover the \$2.4 million shortfall with dedicated or committed reserves.

Regent Clifford inquired about the \$1 billion unrestricted operating budget that includes the HSC operations, asking if the \$220 million reserve available for shortfalls in their operating budget was treated as committed reserves and therefore not

included in the figures. President Abdallah said the \$220 million reserves were not included in these particular figures because they are actually for the Hospital, not the HSC academic enterprise.

The motion to approve the FY17 Main, HSC and Branch Campus Categorization of Reserves Report passed by a unanimous vote (1st Clifford; 2nd Hosmer).

AUDIT AND COMPLIANCE COMMITTEE

Meeting summary report for the August 25, 2017 committee meeting was presented for information only. Materials were included in the eBook.

PUBLIC COMMENT

Mark Narvaez and Theresah Nepetay gave comment regarding PNMGC (Project for New Mexico Graduate Students of Color) update on activities fall workshop series on various topics including a peer to peer mentorship project highlighting 96 mentoring matches across campuses. They are seeking funding through SFRB process.

ADVISORS' REPORTS

UNM Alumni Association's monthly report was submitted and included in the eBook.

Pamela Pyle, Faculty Senate President, reported that a resolution from faculty Senate was passed on the Next Generation Science Standards. A Faculty Senate member went to Santa Fe to participate in a public forum. President Pyle had been meeting with State Legislators in order to align research proposed by legislators with resources at UNM, and looking for ways to enhance our state through this process in the working relations with state legislators.

Danelle Callan, Staff Council President, reported two Town Hall meetings were held live or in person. 309 views 410 from HSC staff enhancement and engagement. Collaboration with HSC for the Outstanding Supervisor of the Year. 2 individuals were selected for the award.

Noah Brooks, ASUNM President, reported a resolution was passed this week calling for female hygiene products be stocked in all bathrooms on campus.

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 Clifford).

The meeting closed at 10:54 AM. All members were present in person during closed session. Student Regent Adcock recused himself from the presentation and discussion of the closed session item that related to personally identifiable information about an individual student. Others present during closed session: President Chaouki Abdallah, Chancellor Paul Roth, Provost Craig White, Executive Vice President David Harris, University Counsel Elsa Cole, and others.

1. Discussions of personally identifiable information about an individual student as permitted by Section 10-15-1(4), NMSA (1978)
2. Discussions of subject to attorney-client privilege pertaining to threatened or pending litigation as permitted by Section 10-15-1(7), NMSA (1978)
3. 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)

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 Clifford). The meeting re-opened at 11:52 AM; the doors to the Cherry Silver room were opened. Regent President Doughty certified only those matters described in the closed session agenda were discussed in closed session, and there were two items upon which action was taken in closed session:

The motion to approve moving forward with the purchase of the land for a sum not to exceed \$105,000 passed by a unanimous vote (1st Romero; 2nd Hosmer).

The motion to authorize a letter of intent regarding a possible ground lease of property passed by a unanimous vote (1st Romero; 2nd Lee).

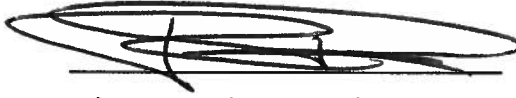
ADJOURN

There being no other business, Regent Doughty asked for a motion to adjourn.

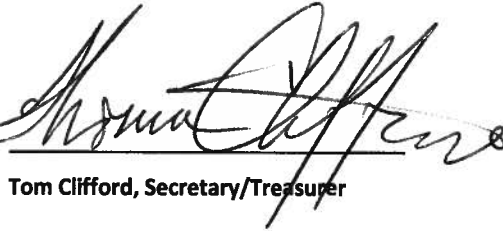
Vote to adjourn the meeting (1st Hosmer; 2nd Clifford). The meeting adjourned at 11:52 AM.

Approved:

Attest:



Robert M. Doughty III, President



Tom Clifford, Secretary/Treasurer