UNIVERSITY OF NEW MEXICO
BOARD OF REGENTS

Special Meeting
Agenda

March 2, 2017
1:00 PM
Roberts Room

February 24, 2017

UNIVERSITY OF NEW MEXICO
BOARD OF REGENTS

NOTICE AND AGENDA
Special Meeting
Thursday, March 2, 2017, 1:00-2:00 PM
Roberts Room, #204, Scholes Hall
UNM Main Campus

Board of Regents President Robert Doughty calls a Special Meeting of the Board of Regents to be held on Thursday, March 2, 2017, from 1:00 to 2:00 PM in the Roberts Room of Scholes Hall on UNM Main Campus. The meeting will take place in open session. Following is the agenda:

1. Call to order, confirmation of a quorum and adoption of the agenda
   Robert Doughty, President, Board of Regents

2. Approval of Bond Pricing Resolution for the improvement revenue bonds UNM Series 2017

3. Request for approval of the Increase in the UNM Foundation Development Funding Allocation from 160 basis points to 185 basis points, effective April 1, 2017, retroactive to July 1, 2016

4. Adjourn

In compliance with the New Mexico Open Meetings Act (10-5-1 NMSA 1978), this notice and agenda is made available at least 72 hours before the meeting and accessible on the public website, regents.unm.edu/meetings/index.html.

UNM OFFICE *of the* EVP *for* ADMINISTRATION, COO *and* CFO

MEMORANDUM

TO: Members, UNM Board of Regents

THRU: Chaouki Abdallah, Acting President

FROM: David W. Harris, EVP for Administration, COO and CFO

DATE: February 22, 2017

SUBJECT: The Regents of the University of New Mexico Subordinate Lien System Improvement Revenue Bonds Series 2017 and Disclosure Responsibility Memo (Orange County Memo)

Attached is a Preliminary Official Statement (the "POS") that has been prepared in connection with the offering and sale of The Regents of the University of New Mexico Subordinate Lien System Improvement Revenue Bonds, Tax-Exempt Series 2017. Since we have a new Regent on board it is important to clarify and provide context to the underlying purpose of the POS and the "Disclosure Responsibility Memo".

The POS makes various disclosures about the University, The Bond Resolution, and the Bonds. The POS will be reviewed by potential investors in the Bonds, and a final Official Statement will be provided to the bond purchasers after the Bonds are sold.

The attached POS is similar to previous ones issued in the past. Given its importance, the Administration consistently convenes content experts from across the University, along with outside consultants, to update the POS. The information has been reviewed and updated by a multitude of University departments (University Counsel, Controllers Office, HSC Budget, Hospital Chief Financial Officer, Enrollment Management, etc.), the OPBA and myself. Chris Muirhead and Katherine Creagan of the Modrall Sperling Law Firm, the University's Bond and Disclosure Counsel, and George Williford of First Southwest Company, a division of Hilltop Securities Inc., the University's Municipal Advisor, also assist in the disclosure process by assembling the information and reviewing the financial and economic data in the POS. We have also participated in due diligence meetings and conference calls with the underwriters. During those meetings and calls we discussed, confirmed and updated information contained in the POS, examined information for materiality, and identified additional information for inclusion.

In the late 1990's Orange County, California issued bonds, with proper governing approvals, for various county improvements. Subsequently to their issuance, the county defaulted on those bonds. As bondholders sought to recoup losses, it became apparent that the County's Preliminary Official Statement (POS) contained material omissions/misrepresentations that might have otherwise given prospective buyers pause in the purchase of the bonds. It is under this pretense that the United States Securities and Exchange Commission (SEC) has stated that:

> "Public entities that issue securities are primarily liable for the content of their disclosure documents... In addition to the government entity issuing municipal securities, public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the issuance of the securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading."

With this in mind, UNM Bond Counsel has consistently recommended that the Administration circulate the disclosure memo to the Board of Regents to reiterate their overarching responsibility in approving the bond sale, and we have done so with all prior issue going back a number of years.

Although University staff and the finance and legal team collaborated in preparing the POS, please review it carefully. The POS is a Board of Regents document, and the University and the Regents are responsible for its accuracy. Please use care in reviewing the sections labeled "SECURITY AND SOURCES OF PAYMENT", "NET STUDENT TUITION/HISTORICAL PLEDGED REVENUES OF THE SYSTEM", "HISTORICAL OPERATING RESULTS", "THE UNIVERSITY", and "APPENDIX A – THE UNIVERSITY ORGANIZATION, PROGRAMS AND SUMMARY FINANCIAL INFORMATION". In conducting your review, focus on whether the POS contains misleading statements of material facts or fails to state material facts. A material fact is one that could influence an investor in making a decision to purchase the Bonds.

Given the existing preparation and review process by professionals and University staff, the Board of Regents has every reason to fully endorse the POS, and all its contents and assurances in my opinion. After reviewing the POS, please contact us if you have any questions relating to the disclosure process and preparation of the POS, if you have any reason to believe that the POS contains any inaccurate information or if you know of anything that might make any of the statement made in the POS incomplete or misleading.

I am also attaching for your perusal copies of our latest bond ratings report which affirm our ratings.

Thank you for your attention to this important matter.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
1 February 2017

New Issue

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University of New Mexico, NM

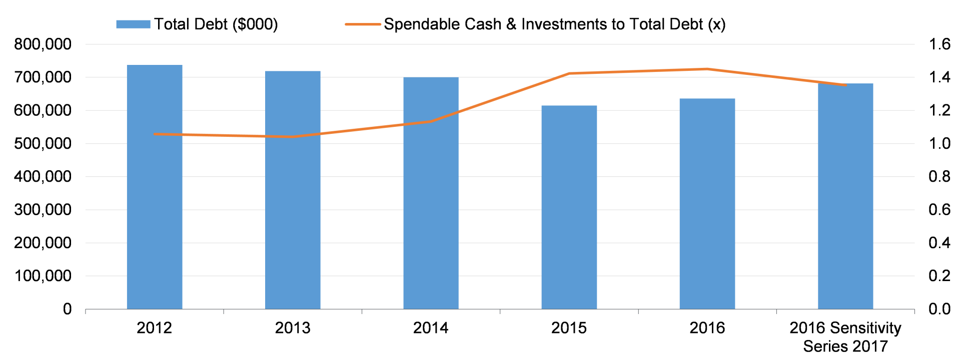
New Issue - Moody's Assigns Aa2 to University of New Mexico's Subordinate Lien System Series 2017; Outlook Negative

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to UNM's proposed $46.4 million of Subordinate Lien System Improvement Revenue Bonds, Series 2017 to be issued by the Board of Regents of the University of New Mexico (final maturity in 2046). The outlook is negative. We maintain Aa2 and Aa2/VMIG 1 ratings on approximately $365 million of outstanding debt.

University of New Mexico's Aa2 rating reflects the university's essential role as the state's flagship public university and major healthcare service provider, its diverse revenue and large scope of operations. UNM also has a modest debt burden due to historically healthy state capital support, and good debt service coverage. Meaningful exposure to state funding through a variety of sources combined with a weakening state economy, highly competitive health care market with the departure of major commercial insurers, as well as a large pension liability, and thin liquidity are key credit challenges.

Exhibit 1
UNM Has Moderate Leverage Due to Historically Strong State Capital Support



Source: Moody's Investors Service

Credit Strengths

- Highly essential role as one of the largest employers and major research and economic development engine in New Mexico, as well as in Albuquerque and Bernalillo County
- UNMH serves a critical role, both as a safety net provider and the state's only Level 1 Trauma Center, with mill levy support from the county supporting fiscal stability
- Strong matriculation rate of 40% with state lottery scholarships supporting high in-state demand
- Manageable direct debt burden with limited additional debt plans and regular principal amortizations resulting in a low 30% debt to revenue
- Strong contingency planning; and UNMH is well positioned for potential changes to the Affordable Care Act

Credit Challenges

- Weakening economy in New Mexico will continue to pressure UNM's state operating support, Medicaid reimbursements, as well as impact students and patients
- Weak cash flow margins in the 6-8% range, and challenge of managing expenses in the face of lower appropriations and discontinued mill levy from Sandoval County
- Thin unrestricted liquidity, with only 67 days monthly cash
- Substantial and growing pension liability, with rising pension contributions mandated by the state eroding appropriations for operations

Rating Outlook

The negative outlook reflects our expectation of increased pressure on university operating performance from FY 2017 and likely FY 2018 funding reductions for operating support and Medicaid, as the state copes with revenue shortfalls and resulting budget gaps from weaker than anticipated tax revenue.

Factors that Could Lead to an Upgrade

- Ability to absorb state funding cuts leading to consistently stronger cash flow generation
- Substantial increase in balance sheet reserves and liquidity
- Sustained growth of net tuition revenue and research activity

Factors that Could Lead to a Downgrade

- Further deterioration of state's credit fundamentals, with repeated budget cuts
- Discontinuation of the mill levy supporting UNMH
- Inability to produce stable operating cash flow
- Continued erosion of liquidity
- Sustained and deep enrollment declines with trend of contracting net tuition revenue

Key Indicators

Exhibit 2

	2012	2013	2014	2015	2016	2016 Sensitivity Series 2017
Total FTE Enrollment	23,480	23,617	23,154	23,068	22,855	22,855
Operating Revenue ($000)	1,711,538	1,800,670	1,856,295	2,021,499	2,125,938	2,125,938
Annual Change in Operating Revenue (%)	-2.0	5.2	3.1	8.9	5.2	5.2
Total Cash & Investments ($000)	1,019,410	1,009,639	1,093,670	1,172,139	1,214,256	1,214,256
Total Debt ($000)	737,378	719,104	700,060	614,472	636,247	681,897
Spendable Cash & Investments to Total Debt (x)	1.1	1.0	1.1	1.4	1.5	1.4
Spendable Cash & Investments to Operating Expenses (x)	0.5	0.4	0.4	0.4	0.4	0.4
Monthly Days Cash on Hand (x)	68	67	94	75	67	67
Operating Cash Flow Margin (%)	7.8	5.7	6.0	7.2	7.3	7.3
Total Debt to Cash Flow (x)	5.6	7.0	6.3	4.2	4.1	4.4
Annual Debt Service Coverage (x)	3.6	2.8	3.0	3.7	4.6	4.1

Fiscal Year End June 30; Fall Enrollment Numbers. The Series 2017 sensitivity includes $46 million of Series 2017 bonds. Pro forma annual debt service coverage uses FY 2016 operating cash flow and FY 2018 debt service (first year incorporating Series 2017 debt service).
Source: Moody's Investors Service

Detailed Rating Considerations

Market Profile: Dominant Higher Education Provider and Sole Academic Medical Center in State

University of New Mexico will continue to demonstrate solid student demand for its undergraduate and graduate programs as the state's flagship university. UNM's integral role as dominant higher education provider, research and economic hub, and sole academic medical center in the Aa1-rated State of New Mexico, Aa1-rated City of Albuquerque and Aaa-rated County of Bernalillo provide the backbone for its very good strategic positioning and stable long-term demand. Overall enrollment is relatively stable at 22,855 full-time equivalents (down -0.9% in Fall 2016), comprised of undergraduate, graduate and professional students, as well as some modest growth in on-line programming. Enrollment will remain generally stable with some potential modest declines due to flat demographics for graduating high school students over the next several years and a softening state economy. UNM has very high reliance on in-state students (over 80% of incoming freshmen).

Further strengthening resident enrollment is the state's Lottery Tuition Fund providing scholarships to New Mexico high school graduates attending a state public college or university, including University of New Mexico, for seven semesters. Each year, the university has between 7,000 - 8,000 scholarship recipients, representing a material segment of its student population. The lottery scholarship is in place until FY 2018, and any cuts to the program would be credit negative for UNM.

The University of New Mexico Hospital (UNMH), a 537-bed facility in Albuquerque plays an essential role in providing health care within the state. It is the state's only Level 1 trauma center for children and adults and a key provider of indigent care as Bernalillo County's public hospital. Albuquerque is a highly competitive healthcare market, with flagship facilities for three systems within two miles of each other in the downtown section. UNMH's primary service area includes Bernalillo and Valencia counties, as well as portions of Sandoval, Torrance, and Santa Fe counties.

While UNMH only holds about a quarter of the total Albuquerque market share, it is the primary Medicaid and indigent care provider and only partially competes for commercial patients. While this contributes to some market share stability it also adds operating risk and vulnerability to Medicaid reimbursement changes. Following implementation of the Affordable Care Act and the state’s expansion of Medicaid eligibility, UNMH’s role as an essential provider to Medicaid patients has grown. Over the last three years, the hospital’s payor mix has changed significantly with Medicaid exposure reaching a very high 43% in FY 2016 due to Medicaid expansion in New Mexico. The initial positive impact of expansion has begun to recede, especially with the state's Medicaid cuts in FYs 2016 and 2017.

In addition to the UNM Hospitals, UNM has two other clinical healthcare entities which we include in its operations, the UNM Medical Group (UNMMG) and the Sandoval Regional Medical Center (SRMC). SRMC opened in FY 2014 in Rio Rancho, an area with a more favorable payor mix than the one UNM Hospitals serves. SRMC's operating performance continues to improve modestly. The UNMMG is a faculty practice plan that practices at UNM Hospitals and, to a lesser extent, at SRMC.

The university's research enterprise is relatively smaller than other flagship universities at $181 million of research expenditures in FY 2016, but has experienced slow funding growth due to diversified funding sources and niche programming. Primary cluster areas for research include quantum physics and new manufacturing initiatives. Federal funding represents approximately half of overall funding, with the remainder coming through state, local and private sources. At this time there are no anticipated cuts to state, local or federal research funding.

Operating Performance: Pressures on Cash Flow with State Funding Cuts

Sustained fiscal pressures at the state are a key credit risk for University of New Mexico given already weak cash flow relative to peers, and potential for the state economy to directly and indirectly impact most lines of UNM's business. We project that state funding cuts to both the university and UNMH and other reimbursement pressures at UNMH will contribute to weaker than usual cash flow in the 5-6% range, with a slight operating deficit in FY 2017. Both the university and UNMH have identified one-time and recurring cuts to balance operations, and the university may use a small amount (up to $6 million) of reserves to handle the appropriation cuts. Debt service coverage will remain solid at above 2.0 times due to the university's low leverage. The university has some pricing flexibility with relatively low net tuition per student of $8,075 and solid demand.

State funding was cut by 5% in FY 2017, following a 0.6% cut to base appropriations in FY 2016, and is likely to remain flat at best for FY 2018. Although state appropriations represent only 15% of total operating revenue in FY 2016 and total cuts to operating support and Medicaid represent less than $35 million of lost revenue for FY 2017, the university and hospitals receive state and county funding in a variety of other ways. These include: direct state grants for research ($36 million); state lottery scholarships ($34 million included in net tuition revenue); Medicaid reimbursement for patient care (47% of $868 million of net patient revenue) and state land grant fund revenue ($9.9 million). These multiple exposures add operating vulnerability should the state sustain a prolonged economic downturn.

Operating performance at all healthcare divisions, including the hospitals, UNMH and SRMC, represent about 41% of consolidated university revenue, and is a key driver of overall operating performance. The healthcare divisions broke even, with a very modest surplus in FY 2016 despite state cuts to Medicaid disproportionate share payments (DSH) and rates to Medicaid managed care companies. FY 2017 will be challenging for UNMH and SRMC with a 5% cut to state inpatient Medicaid fee-for-service payments and 3% cut to outpatient Medicaid reimbursements (an expected $10 million revenue decline). The largest Medicaid contractor also reduced its reimbursements by $24 million in FY 2017, adding additional pressure to cashflow. The healthcare team continues to focus on expense reduction and revenue cycle improvements and expects to break even in FY 2017. Through November 30, 2016 UNMH was managing with a thinly positive bottom line, due to a modest increase in patient days and Case Mix Index (1.962).

UNMH continues to benefit from a mill levy from Bernalillo County which represented about $97 million in FY 2016 and greatly bolsters healthcare operations. The SRMC approximately $6.2 million annual mill levy was not renewed by Sandoval County in the November 2016 elections, but management is meeting with the County to understand what might be the opportunity for mill levy tax support for identified programs into the future. The soonest the mill levy could be put on the ballot would be 2018. Due to the smaller size, SRMC's mill levy is not a primary driver of its operations.

Wealth and Liquidity: Adequate Coverage of Debt, but Thin Liquidity

Still generous state operating and capital support from the State of New Mexico help mitigate the university's low liquidity position relative to peers. Total cash and investments of over $1.2 billion as of FYE 2016 (including foundation investments), covers pro-forma debt by a solid 1.8 times. Further growth is anticipated as the university pursues a $1 billion comprehensive capital campaign, with expected conclusion in FY 2020. The university has raised $868 million as of November 30, 2016, with $403 million received in cash.

The university has two public-private partnerships for housing facilities with American Campus Communities (ACC), that represent a meaningful 43% of UNM's overall student housing. We view these projects as part of the university's broader credit profile, especially as management explores the possibility of additional privatized student housing and these facilities become an increasingly large portion of the university's overall housing stock. Currently these facilities provide important and attractive housing for UNM's undergraduate population. UNM is currently working with a developer to complete Innovate ABQ, a major economic development initiative in downtown Albuquerque to be funded by UNM, the City of Albuquerque and Bernalillo County. Innovate ABQ is being developed as an innovation district for researchers, investors and enterpreneurs. The site will include approximately 310 housing units for upperclassmen and graduate students, which UNM plans to fund through a master lease with the developer.

LIQUIDITY

UNM's thin liquidity is a key credit challenge given the university's recent weak cash flow. In FY 2016, the university had just 67 monthly days cash on a consolidated basis compared to the Aa2 median of 145. The university is expecting to use approximately $6 million of reserves in FY 2017, further straining its liquidity, as it identifies longer-term cuts to offset state appropriation cuts. Continued solid state support and the ability to request monthly appropriations in advance of regularly scheduled disbursements to support cash flow are important mitigants to the university's weak liquidity. However, further deterioration of liquidity failure to sustain cash flow at least at historic levels will pressure the rating.

Leverage

Historic state capital support has also allowed the university to maintain a relatively low debt burden. Proforma debt to operating revenue is just 0.3 times, and we expect it to remain low with regular principal amortizations and revenue growth keeping pace with additional debt issuances. The university was approved for $27 million in capital funding this fiscal year through a state GO bond issuance for the interdisciplinary science building it is building with the proceeds from the Series 2017 bonds. State capital support has averaged about $25 million a year in FYs 2015 and 2016.

Substantial capital plans could shift UNM's leverage position over the next several years, and credit impact will be evaluated as funding sources are clarified. The university's five-year capital plans call for approximately $235 million of capital expenditures across the main campus, Health Sciences Center and branch campuses, including the projects funded by the current bond issuance. At this point, these plans are manageable in the context of the university's cash flow and capital plans. UNM had approximately $75 million of annual capital expenditures in FY 2016. Given state funding cuts, relatively weaker cash flow and thinner liquidity than peers, future debt capacity will depend upon the university's ability to demonstrate strong expense containment, and ability to generate growth of operating cash flow to absorb additional debt service.

DEBT STRUCTURE

UNM's debt structure is comprised of 88% fixed rate bonds, including debt of the hospital and a component unit of UNM. The variable rate debt, specifically the Series 2001, 2002B and 2002C, are backed by standby bond purchase agreements (SBPAs) provided by US Bank, N.A. that all expire on December 29, 2017. This debt structure carries additional risks as, under certain circumstances, the bank could require an acceleration of the bonds and terminate the agreements. However, UNM's FY 2016 monthly liquidity of $363 million provides a healthy 4.6 times coverage of demand debt.

DEBT-RELATED DERIVATIVES

The university has floating to fixed rate swap agreements related to its Series 2002B, 2002C, and a portion of its 2001 variable rate bonds. The swaps are with RBC Capital Markets and JPMorgan and are conterminous with the maturity of the debt, with swap payments on parity with debt service payments. At the current rating level, the university must post collateral at a $20 million threshold but has not been required to do so. Requirement to post collateral would potentially further stress available UNM's already thin liquidity. At December 31, 2016, the swap portfolio's market valuation, including the swap overlays, was an $8 million liability for university.

PENSIONS AND OPEB

We expect UNM's significant debt-like obligations through a large pension liability and other post-retirement health benefit (OPEB) liability to rise with FY 2016 pension reporting, given weak investment returns. Contributions for the multiple employer state-run pension plan are rising for the university and are paid by the state through state appropriations. Though this currently alleviates significant operating risk, it will mean lower appropriations to cover general university operations if state appropriations continue to decline.

The over $2 billion three-year average Moody's adjusted net pension liability (ANPL, FYs 2013-2015) is substantial, but due to UNM's relatively low debt burden, increases adjusted debt to operating revenue to just 1.2 times, below many peers. The state is expected to continue to fund contributions in the near term, and there is some positive pension reform being considered, which would shift approximately 3.5% of contributions to employees from the employer, although the university notes that there are strong unions in New Mexico that could stymie this action. In 2014, UNM established a voluntary trust for its OPEB plan, with UNM matching employee contributions toward funding a trust for retirement health benefits. Contributions will hit 1% in FY 2017 and are expected to remain there. After 10 years, the university anticipates that it will be able to use the earnings from the trust to pay annual benefits.

Governance and Management: Careful Implementation of New Initiatives and Integral Role in State Bolster Strategic Positioning; Presidential Transition at Critical Time

UNM's board and senior management's careful budgetary oversight and integrated strategic planning help to offset some of the challenges of state funding cuts and growing exposure to more volatile health care revenue. The hospital and university are well integrated through the Health Sciences Center and that center's separate board of directors. The university's key strategic initiatives, including a new branding initiative and Innovate ABQ, capitalize on UNM's unique and essential role within the state.

UNM's president announced his resignation in December 2016, and will leave when his term is complete at the end of fiscal year 2017. While a presidential transition at this crucial period for managing through state funding cuts could be disruptive, the board acted quickly to appoint the provost as acting president to ensure continuity. A national search for president is underway.

Legal Security

University of New Mexico's rated bonds are payable from a subordinate lien on Pledged Revenues which include tuition and fees; auxiliary revenues derived from the bookstore, parking, housing; indirect cost recovery; and income from the permanent and land funds. Pledged Revenues exclude state appropriations, restricted funds, and hospital revenue. The senior lien is associated with $11.6 million of outstanding Series 1992A bonds and is closed. The subordinate bonds are further secured by a debt service reserve fund, sum sufficient rate covenant, and additional bonds test of at least 1.75 times coverage of pro-forma peak debt service coverage. For FY 2016, the university had approximately $414 million of net revenues available for debt service of $31.7 million, or 13.1 times coverage. Proforma coverage is expected to remain at or above 11 times for the next several years, including the Series 2017 bonds.

The university's hospital revenue bonds are secured solely by hospital revenue and the mortgage insurance from the Federal Housing Administration's Section 242 mortgage insurance program, with no recourse to the revenue streams supporting debt service on the System Revenue Bonds. The hospital provides good debt service coverage of its outstanding $237 million in FY 2016 (including SRMC bonds).

Use of Proceeds

Proceeds from the Series 2017 bonds will be used as follows: 1) toward project costs associated with the renovation, constructing or equipping of several facilities on UNM's campus including the Physics and Astronomy Interdisciplinary Sciences building, the Biology Annex, the Art Annex, the Student Health and Counseling Center, and Smith Plaza; 2) to acquire a reserve fund insurance policy to fund a debt service reserve fund for the bonds; and 3) to pay costs of issuance.

Obligor Profile

University of New Mexico is a large, comprehensive public research university located in Albuquerque with almost 23,000 students and over $2.1 billion in operating revenue. UNM provides a broad array of undergraduate, graduate and profession programs, including New Mexico's only public schools of law, architecture and planning, and pharmacy. The university operates several health care facilities, including the state's only academic medical center.

Methodology

The principal methodology used in this rating was Global Higher Education published in November 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

University of New Mexico, NM

Issue	Rating
Subordinate Lien System Improvement Revenue Bonds Series 2017	Aa2
Rating Type	Underlying LT
Sale Amount	$46,385,000
Expected Sale Date	03/01/2017
Rating Description	Revenue: Public University Broad Pledge

Source: Moody's Investors Service

REPORT NUMBER 1056343

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University of New Mexico Board of Regents
University of New Mexico; Public Coll/Univ - Unlimited Student Fees

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Table Of Contents

University of New Mexico Board of Regents University of New Mexico; Public Coll/Univ - Unlimited Student Fees

Credit Profile		
US$46.385 mil subordinate lien sys imp bnds (University of New Mexico) ser 2017 dtd 02/13/2017 due 06/01/2047		
Long Term Rating	AA/Stable	New
University of New Mexico Brd of Regents, New Mexico		
University of New Mexico, New Mexico		
New Mexico Brd of Regents (University of New Mexico)		
Long Term Rating	AA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA' long-term rating to the University of New Mexico Board of Regents' $46.4 million series 2017 subordinate-lien system improvement revenue bonds. issued for the University of New Mexico (UNM). In addition, S&P Global affirmed its 'AA' long-term rating and underlying rating (SPUR) on UNM's outstanding various senior- (closed) and subordinate-lien system revenue bonds. S&P Global Ratings also affirmed its 'AA/A-1+' rating on the university's existing series 2001, 2002B, and 2002C variable-rate demand bonds, with the long-term rating reflecting UNM's credit and the short-term rating based on bank liquidity support, in the event of an unremarketed tender, from U.S. Bank (scheduled to expire on Dec. 29, 2017). The outlook on all ratings is stable.

The 'AA' ratings reflect our view that UNM's enterprise and financial profiles are both very strong, leading to an initial and final indicative stand-alone credit profile rating of 'aa' and final bond issue ratings of 'AA'.

UNM's enterprise profile, in our view, is characterized by the university's role as the flagship higher educational institution of the state that has breadth and diversity, and includes a Health Science Center (HSC) with a major academic medical center. UNM is composed of seven campuses, including the main campus in Albuquerque, with total fall 2016 full-time equivalent (FTE) enrollment of 22,857 students, representing a slight 0.6% decline from prior-year enrollment, and operating under an excellent common governance and management structure with multiple levels of oversight. Also reflected in the enterprise profile are UNM's superior economic fundamentals operating in a state that has a low GDP per capita.

UNM's financial profile reflects our view of its excellent financial management policies, sound financial performance, marked financial resources, and healthy (i.e. moderate) debt and contingent liabilities due to conservative debt issuance, resulting in a low and favorable pro forma maximum annual debt service (MADS) debt burden of 1.7%. UNM's financial performance improved substantially in its fiscal year that ended on June 30, 2015, producing both cash- and full-accrual-based financial surpluses. This followed a period of unfavorable financial performance in fiscal years 2013 and 2014, largely due to one-time expenses associated with the academic enterprise and at the HSC due mainly to UNM Sandoval Regional Medical Center (SRMC), a start-up satellite hospital that opened in July 2012 that incurred losses in those years but was profitable in 2015. UNM's financial performance was solid in fiscal 2016 and produced a cash-based financial surplus, although not a full-accrual-based financial surplus.

The ratings further reflect our view of UNM's:

- Generally stable enrollment trend, with total FTE enrollment for fall 2016 and the preceding five years averaging approximately 23,225 students annually with broad undergraduate, graduate, and professional program offerings;
- Excellent governance and management with oversight provided by the university's board of regents, as well as through administrators at each of the university's campuses, with a sound strategic and risk management program that includes articulated reserve, debt management, and investment policies;
- Continued financial support from New Mexico, with the university's operating appropriations constituting about 14.6% of fiscal 2016 adjusted operating revenues;
- Healthy available resource ratios for the rating category, with adjusted fiscal 2016 unrestricted net assets (UNA) equal to 145% of pro forma debt outstanding (about $554 million, including hospital debt that we do not rate) and 35% of operations; and
- Low 1.7% debt burden based on pro forma MADS of $37.8 million in 2019 and fiscal 2016 expenses.

Partially offsetting credit factors include UNM's enrollment challenges from a state whose high school graduate population is declining, the above-mentioned unfavorable financial operations in fiscal years 2013 and 2014, a moderate endowment, and relatively modest research base ($181 million of research expenses in fiscal 2016) compared with those of peer flagship institutions.

We understand two large privatized student housing projects funded from equity by a third party and totaling approximately $77 million were completed and placed in service over the past six years. According to university officials, the university has no actual or potential financial exposure to these facilities; however, consistent with our published criteria, we view the university's available resource ratio relative to debt as potentially overstated since the costs are not included in its debt and we consider both student housing facilities to have high connectivity to the university because they are integral to its academic strategies--one facility is on university property, and one will become an asset of the university on completion of the associated long lease terms. We also understand that, along with local government, state and private business interests, UNM is playing a leading role in an economic development project to create an innovation district off-campus that will contain (among other things) apartment-style living, with 320 beds, for UNM students on six floors of a multistory mixed-use residential and retail building. UNM will master lease the building that it estimates would potentially expose it to a contingent liability just under $2.2 million.

The approximately $46 million in series 2017 subordinate-lien system improvement revenue bond proceeds will be used to fund certain capital projects at the campus, including construction or renewal of the Physics and Astronomy Building, the Biology Annex, the Art Annex, Student Heath Center, and Smith Plaza. These bonds are secured by a broad mix of pledged university revenues, including housing facilities, revenues from other buildings owned or operated by the university, and student fees. Specifically excluded from the system bond pledge are hospital revenues and state operating appropriations. The university has no taxing authority.

We view the security as an unlimited student-fee obligation of the university due to the broad pledge. The subordinate-lien bonds are rated on par with the senior-lien bonds ($11.6 million outstanding at fiscal year-end 2016) because the senior-lien indenture is closed, the revenue pledge is broad, and the senior-lien portion is proportionately small. Postissuance, the university's pro forma debt will total approximately $554 million, including $109 million of separately secured hospital revenue bonds. Currently, it is our understanding that the university has very limited additional debt plans over the next two years.

Outlook

The stable outlook reflects our expectation that UNM's stable enrollment and financial performance will continue over the next two years. Also, we assume UNM will maintain its available resources ratios relative to debt consistent with medians for the rating category. In addition, we expect HSC's operations will continue to support its debt.

Downside scenario

We could consider a negative rating action during the outlook period if the university's enrollment declines significantly, or if full-accrual-based operating deficits occur unabated, HSC's operations become pressured, UNM's available resources decline significantly, or UNM issues significant amount of additional debt.

Upside scenario

We believe consideration of a higher rating during the outlook period is unlikely owing to continuing enrollment pressure and generally constrained funding in both higher education and health care. However, factors that could lead to such action could include full-accrual operating surpluses, sustained and significant enrollment increase, maintenance in available resource ratios at or near current levels, or an unanticipated sharp reduction in outstanding debt.

Enterprise Profile

Industry risk

Industry risk addresses the higher education sector's overall cyclicality, competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the higher education sector represents a low credit risk when compared with other industries and sectors.

Economic fundamentals

In our view, UNM has good geographic diversity; however, New Mexico residents accounted for approximately 83% of the total fall 2016 new enrollment for all campuses. As such, our assessment of UNM's economic fundamentals is anchored by the New Mexico GDP per capita of $40,300.

Market position and demand

UNM is the largest of New Mexico's four-year universities in terms of enrollment, which was 34,038 in fall 2016 (including its HSC and branch campuses), approximately 27,000 of which were at the main Albuquerque campus or associated with the HSC. UNM offers bachelor's, master's, and doctorate degrees, as well as various professional degrees (medicine, law, pharmacy, and architecture). There are four branch campuses--in Gallup, Los Lunas (Valencia), Taos, and Los Alamos--and two graduate studies centers, in Santa Fe and Los Alamos. A new academic center in Rio Rancho that opened in January 2010 is considered a satellite branch of the main Albuquerque campus. The HSC is the state's largest integrated health care treatment, research, and education organization. Management reports that UNM is one of only four institutions in the U.S. classified as both a Hispanic Serving Institution and a Carnegie Doctoral/Research University Extensive institution.

After increasing steadily until fall 2012, headcount at UNM's main campus has declined by 7% to 27,060 in fall 2016. However, and we believe more importantly, total FTE enrollment has remained relatively constant over the past seven fall enrollment periods, e.g., FTE enrollment was 23,349 in fall 2011 and 22,857 in fall 2016. Graduate student enrollment has fluctuated a bit in recent years and is reported at 4,788 for fall 2016, with an FTE enrollment level of 3,123. Professional enrollment (law, medicine, etc.) increased to 1,188 in fall 2016 from 1,149 in fall 2012. Management attributes fluctuations in both undergraduate and graduate enrollment to economic cycles.

University officials are working toward enrollment growth, particularly from transfer students, nonresidents, and international students, with a goal of raising total enrollment at the main campus to 32,000, or an FTE of 24,000, by 2020. UNM has experienced an increase of more than 8% in beginning freshmen since 2014, and management expects this growth and these strong retention rates to provide enrollment stability. UNM has also undertaken a branding effort to create greater public awareness for UNM, achieve enrollment goals, increase diversity and quality of applicants, and increase ties with alumni and philanthropic support.

Tuition rates for in-state undergraduate students increased 2.5% for the 2016-2017 academic year, rising to $5,286. In-state, undergraduate tuition and fees remain competitive, in our view, aided by the state-sponsored scholarship program, which is funded by lottery revenues. The lottery fund was established in 1996 for scholarships and is funded with proceeds of lottery sales in New Mexico. The fund supports tuition, but not mandatory fees or room and board charges.

Freshman applications increased 11.2% in fall 2016 to 14,665 from the 13,189 recorded for fall 2015 and 28.5% from fall 2012 freshman applications of 11,410. About 58% to 65% of the applicants are typically admitted, and between 39% to 48% of the admitted students matriculate. Student quality is slightly above the national average, with entering freshman average ACT scores typically about 22.4.

Management and governance

The university is managed by a seven-member board of regents appointed by the governor for six-year staggered terms. As of Jan. 1, 2017, Dr. Chaouki Abdallah became acting president of the UNM. Once a permanent president is selected, Dr. Abdallah will return to his role as the provost and executive vice president for academic affairs at UNM, which he has occupied since July 2011.

Dr. Paul B. Roth is the university's chancellor for the HSC, the CEO of the UNM Health System, and the dean of the UNM School of Medicine.

UNM updates its strategic plan every three to five years, according to management, and the plan has goals, strategies, and key performance indicators that the university follows to realize its ambitions. In addition, UNM has a risk assessment plan administered by its internal audit department that is overseen by the board of regents' audit committee and includes completion of an annual risk assessment matrix.

Financial Profile

Financial management policies

UNM annually produces full accrual-based independently audited financial statements that have not had any qualifications for several years now. Modified accrual financial reports are presented to the university governing body on a monthly basis. Cash and debt management functions are centralized in the university's controller's office and in the Office of Planning, Budget & Analysis, and according to management, these offices work hand in hand to handle cash management, debt, and investment functions. UNM has fairly comprehensive reserves and liquidity, investment management, and debt management policies that it routinely follows, which we consider best practice.

Financial performance

The university's revenue mix is a credit strength, in our opinion. For the fiscal year ended June 30, 2016, consolidated operating revenues included patient services and clinical income (40%), state operating appropriations (15%), grants and contracts (13%), gross tuition and fees (10%), and state lottery scholarships (2%). State operating appropriations to the university recently increased substantially after declining from 2009 through 2012. Operating appropriation dipped to a recent low of $264 million in fiscal 2012 from $340 million in fiscal 2008; however, it has since climbed back, increasing to $312 million in fiscal 2016.

We understand that New Mexico changed its funding formula for its universities effective in fiscal 2013. The prior formula was based on enrollment and physical space while the new formula is performance or outcome based with over several outcome measures assessed, and each institution has a small percentage of its budget at risk depending on its performance compared with outcome measure peer comparisons. Management states UNM has done well historically with retention and graduation measures and that the formula rewards those institutions experiencing increases in degree completion. Currently, about 6.5% of the appropriation is determined through these at-risk outcome measures, and the percentage increased to 8.5% in 2017.

Consolidated financial operations for the university (including substantial HSC clinical revenues) improved significantly in fiscal 2015 on a full-accrual basis after turning negative in fiscal 2012 through 2014. A full-accrual-based operating gain of $57.3 million was recorded in fiscal 2015 with an even larger cash-based gain of $118.4 million. Management indicates that the financial improvement in fiscal 2015 reflects both better revenues and expense realization. Revenue included an increase in state appropriation and higher HSC revenue in large part due to the ongoing implementation of the Patient Protection and Affordable Care Act. Expense improvement in large part reflected management's response to enrollment declines by holding back 5% of operating unit budgeted funds. Fiscal 2016 results were not as strong as fiscal 2015, with a positive cash-based operating margin but a negative operating margin on a full-accrual basis. Management is dealing with some budgetary pressures in in fiscal 2017 and has revised its fiscal 2017 budget for state appropriations to $290 million. We understand the overall budget reduction is being handled by a combination of strategies including a hiring freeze, a pullback of vacant position savings, position eliminations, a reduction in operating expenses, and a use of reserves.

UNM Health System operations

We view UNM Health System operations as presenting incremental risk to the university owing to the vagaries of

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health care reimbursement and constant spending pressures. However, UNM Health System regularly produces a positive bottom line and its principal affiliate UNM Hospital generates sufficient positive net income to support hospital-secured debt service on about $109 million of bonds. While the majority of revenues come from patient service income, positive operating margins depend on proceeds of a voted mill levy from Bernalillo and Sandoval counties and sufficient revenue-generating capacity to service required intergovernmental transfers for the state's Medicaid program. The mill levy was re-approved by voters in Bernalillo County; however, the mill levy in Sandoval County was not reapproved in the 2016 election. We understand management is meeting with the County to understand what might be the opportunity for mill levy tax support for identified programs into the future. The soonest it could be put on the ballot would be 2018. We will monitor the situation.

Health system operations include revenues from the 537-bed tertiary UNM Hospital and additional beds related to other hospitals, including the new SRMC, a children's hospital, an adult psychiatric center, a child psychiatric center, an orthopedic hospital, a cancer research and treatment center, an adult substance abuse program, and a center for developmental disabilities. Patient volumes at UNM Hospital, similar to those at many hospitals and health systems nationally, had generally been stable, but began to decline in fiscal 2013 with the beginning of implementation of national health reform. Patient volumes at the new SRMC are rising as this facility gains market recognition. In fiscal 2016, UNM Hospital generated a $19 million positive bottom line, up from the $18 million net income in fiscal 2015.

Available resources

Total university net assets at June 30, 2016, were $818.4 million, or a 1.1% increase over fiscal 2015. Total university net assets at June 30, 2015, were $809.8 million, a 50% decrease from the $1.62 billion recorded at the end of fiscal 2014; however, the decline reflected the underlying UNA dropping to negative $236 million from positive $575 million in fiscal 2014, almost entirely due to the recordation of a $938 million net pension liability under GASB 68.

In line with our Sept. 2, 2015, publication "Incorporating GASB 68: Evaluating Pension Obligations under Standard & Poor's Higher Education and Charter School Criteria," we have made certain adjustments to the financial statements of public colleges and universities and certain public charter schools for financial results beginning with fiscal year-end June 30, 2015, to enhance analytical clarity regarding the economic substance of the funding of liabilities, expenses, and deferred inflows and outflows of resources associated with pension plan obligations and a change in accounting principle as detailed in GASB 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27." We believe these adjustments enhance analytical clarity from a credit perspective and result in more comparable financial metrics as long as states remain able and willing to fund these pension liabilities.

When we adjust for the pension liability, UNM's adjusted UNA for debt for fiscal 2016 increased by 2.0% from fiscal 2015. In fiscal 2015, adjusted UNA rose by 19.7% to $786.7 million from $657.2 million in 2014. As a result, in our view, UNM's fiscal 2016 adjusted UNA to operating expense and pro forma debt are healthy, at 35.0% and 144.8%, respectively. We view these available resource ratios as consistent with the rating category. However, the financial resource ratio relative to debt may be slightly overstated, as it does not adjust for the two large privatized housing projects.

As of June 30, 2016, UNM's endowment, not including the university's share of the State Permanent Fund, was about $395 million. Most university and foundation endowments are consolidated for investment purposes in a consolidated investment fund. The foundation's spending draw for quasi and permanent endowment is a fairly standard formula varying between 4% and 6% of a trailing 20-quarter market value. As is typical of many public universities, the endowment draw does not represent a significant source of general operating income.

Current market value in the consolidated investment fund was $406.5 million as of Nov. 30, 2016. Invested funds were, in our opinion, diverse, and have a one-year target allocation as follows: It included a mix of equities (40%), fixed income and cash (20%), and alternative investments (40%, including hedge funds, private equity, and commodities). We understand the actual allocation as of Nov. 30, 2016, was near the policy target allocation, with rebalancing employed as needed to match the policy target.

The university had been in the midst of a $675 million comprehensive campaign, which began in 2006 and was scheduled to end in fiscal 2015, but it decided to extend the campaign to the close of fiscal 2020 and raise the goal to $1 billion after having attained $658.5 million in gifts and pledges as of fiscal year-end 2014. Management reports that amount has increased further to $868 million as of Dec. 12, 2016.

Debt and contingent liabilities

The university's outstanding system improvement bonds as of June 30, 2016, total $398.8 million, only $11.6 million of which is senior lien. When the separately secured hospital revenue bonds ($109 million) and the series 2017 bonds ($46 million) are included, total pro forma university debt increases to about $554 million. We view UNM's pro forma debt MADS burden as manageable at 1.7% of fiscal 2016 operating expenses. The university's debt profile (excluding the fixed-rate hospital bonds) is about 80% fixed rate, 4% floating, and 16% synthetic fixed.

The $109 million outstanding of series 2015 hospital mortgage revenue bonds, not rated by S&P Global Ratings, were issued to refund the series 2004 hospital mortgage revenue bonds. Hospital revenue bonds are secured by net income from the hospital and a Federal Housing Administration mortgage. Internally, hospital operations are distinct from general academic operations, and net hospital revenues have not been used to secure university debt. While other revenues of the university are not pledged to the hospital debt, we view the hospital as an integral part of the university, and in fiscal 2016, patient care and clinical revenues were 40% of combined operating revenues, which we consider substantial.

As of its fiscal year-end 2016, the university had six swap agreements outstanding with highly rated counterparties with total notional amounts of $111 million as of June 30, 2016: five with JP Morgan Chase Bank N.A. and one with Royal Bank of Canada. We believe there is minimal degree of issuer termination risk due to the wide spread between the rating on the college and the termination trigger, limited counterparty risk due to the high ratings associated with the counterparties, and moderate economic viability of the swap portfolio over stressful economic cycles.

University of New Mexico						
	Fiscal year ended June 30,					Medians
	2017	2016	2015	2014	2013	Public Colleges & Universities 'AA' 2015
Enrollment and demand						
Headcount	27,060	27,353	27,889	28,644	29,100	MNR
Full-time equivalent	22,857	23,005	23,173	23,618	23,471	32,632

University of New Mexico (cont.)

	Fiscal year ended June 30,					Medians
	2017	2016	2015	2014	2013	Public Colleges & Universities 'AA' 2015
Freshman acceptance rate (%)	58.7	57.9	60.5	63.1	64.6	71.7
Freshman matriculation rate (%)	39.5	43.6	43.7	47.9	46.2	MNR
Undergraduates as a % of total enrollment (%)	72.6	72.7	72.6	72.8	72.2	77.7
Freshman retention (%)	80.1	79.5	79.1	78.0	N.A.	85.5
Graduation rates (five years) (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	2,142,540	2,161,100	1,931,002	1,823,273	MNR
Adjusted operating expense ($000s)	N.A.	2,190,553	2,098,536	2,006,838	1,930,921	MNR
Net adjusted operating income ($000s)	N.A.	(48,013)	62,564	(75,836)	(107,648)	MNR
Net adjusted operating margin (%)	N.A.	(2.19)	2.98	(3.78)	(5.57)	2.10
Estimated operating gain/loss before depreciation ($000s)	N.A.	12,949	123,652	(14,981)	(44,743)	MNR
Change in unrestricted net assets (UNA; $000s)	N.A.	(1,409)	(810,647)	30,405	(881)	MNR
State operating appropriations ($000s)	N.A.	312,386	308,196	292,499	279,359	MNR
State appropriations to revenue (%)	N.A.	14.6	14.3	15.1	15.3	21.0
Student dependence (%)	N.A.	11.9	11.8	13.3	13.8	42.4
Health care operations dependence (%)	N.A.	40.0	41.7	36.3	35.4	MNR
Research dependence (%)	N.A.	13.1	12.5	13.6	14.5	MNR
Endowment and investment income dependence (%)	N.A.	0.2	0.5	3.6	2.5	0.8
Debt						
Outstanding debt ($000s)	N.A.	507,747	482,592	556,635	575,679	646,050
Proposed debt ($000s)	N.A.	46,385	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	554,132	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	37,782	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	1.48	1.64	2.23	2.31	MNR
Current MADS burden (%)	N.A.	1.60	2.06	N.A.	1.78	3.70
Pro forma MADS burden (%)	N.A.	1.72	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value ($000s)	N.A.	597,800	615,300	622,300	541,500	642,929
Related foundation market value ($000s)	N.A.	193,975	197,962	198,347	169,998	612,539
Cash and investments ($000s)	N.A.	978,488	845,630	787,381	743,051	MNR
UNA ($000s)	N.A.	(237,247)	(235,838)	574,809	544,404	MNR
Adjusted UNA ($000s)	N.A.	766,015	752,190	610,161	577,691	MNR
Cash and investments to operations (%)	N.A.	44.7	40.3	39.2	38.5	51.7

University of New Mexico (cont.)

	Fiscal year ended June 30,					Medians
	2017	2016	2015	2014	2013	Public Colleges & Universities 'AA' 2015
Cash and investments to debt (%)	N.A.	192.7	175.2	141.5	129.1	162.6
Cash and investments to pro forma debt (%)	N.A.	176.6	N.A.	N.A.	N.A.	MNR
Adjusted UNA to operations (%)	N.A.	35.0	35.8	30.4	29.9	30.3
Adjusted UNA plus debt service reserve to debt (%)	N.A.	158.0	163.0	118.1	108.1	86.7
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	144.8	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	19.7	21.2	20.1	18.2	12.4
OPEB liability to total liabilities (%)	N.A.	1.1	1.5	3.7	3.6	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term & long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation & amortization expense.

Ratings Detail (As Of February 1, 2017)

University of New Mexico sub lien sys rfdg & imp rev bnds		
Long Term Rating	AA/Stable	Affirmed
University of New Mexico sub lien sys rfdg & imp rev bnds		
Long Term Rating	AA/Stable	Affirmed
University of New Mexico Brd of Regents, New Mexico		
University of New Mexico, New Mexico		
University of New Mexico Brd of Regents (University of New Mexico) gross rev bnds ser 1992A-C dtd 10/01/1992 due 2022		
Long Term Rating	AA/Stable	Affirmed
New Mexico Brd of Regents (University of New Mexico)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
New Mexico Brd of Regents (University of New Mexico) subord lien		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
New Mexico Brd of Regents (University of New Mexico) VRDB ser 2002C		
Long Term Rating	AA/A-1+/Stable	Affirmed
New Mexico Brd of Regents (University of New Mexico) VRDB sub lien ser 2001		
Long Term Rating	AA/A-1+/Stable	Affirmed
New Mexico Brd of Regents (University of New Mexico) VRDB sub lien ser 2002B		
Long Term Rating	AA/A-1+/Stable	Affirmed

Many issues are enhanced by bond insurance.

UNM FOUNDATION BOARD

DATE: March 2, 2017

TO: The Board of Regents of the University of New Mexico

FROM: The Board of Trustees of the University of New Mexico Foundation

RE: Increase in Development Funding Allocation

RECOMMENDATION

That the Board of Regents approve an increase in the Development Funding Allocation (DFA) from 160 basis points to 185 basis points effective April 1, 2017; retroactive to July 1, 2016.

RATIONALE

As a result of economic factors affecting the University's budget, institutional support for the UNM Foundation will be decreased by $816,185 in FY2016/17 and FY2017/18.

University administration has asked the UNM Foundation to consider increasing the Development Funding Allocation to allow the UNM Foundation to continue its development efforts with a consistent staff level.

The Consolidated Investment Fund Investment Policy jointly adopted by the UNM Board of Regents and the UNM Foundation Board of Trustees, and as amended by both Boards in August 2016, requires joint approval of the DFA by the UNM Board of Regents and the UNM Foundation Board of Trustees.

UNM FOUNDATION BOARD OF TRUSTEES APPROVAL

The UNM Foundation Board of Trustees approved this on February 24, 2017.

BUDGET IMPACT

DFA revenue will increase by an estimated $871,401 in FY2016/17 and $879,485 in FY2017/18 resulting in a "net increase" in total revenue of an estimated $55,216 in FY 2016/17 and $63,300 in FY2017/18 after the respective decreases in institutional support.

CONSOLIDATED INVESTMENT FUND
INVESTMENT POLICY

THE UNIVERSITY OF NEW MEXICO

THE UNIVERSITY OF NEW MEXICO FOUNDATION, INC.

Revisions:
1989 September
1992 February
1995 March
1997 February
1999 September
2001 May
2002 June
2003 October
2004 May
2005 October
2010 July
2013 November
2014 April
2015 June
2016 August

CONSOLIDATED INVESTMENT FUND POLICY STATEMENT

In accordance with Sections 21-1-38.B(1)(b) and 21-1-38.B(2), New Mexico Statutes Annotated 1978, the University of New Mexico Board of Regents (the "Board of Regents") has designated the University of New Mexico Foundation Investment Committee (the "Investment Committee") to act as the official Advisory Committee to oversee and manage the investment of both the University of New Mexico (the "University")'s and the University of New Mexico Foundation, Inc. (the "Foundation")'s endowment funds. The combined endowment assets of the University and the Foundation are known as the Consolidated Investment Fund (the "CIF"). The Investment Committee will apply the standards of conduct described in Sections 6-8-10 and 46-9A-1 through 46-9-12, NMSA 1978, in managing the CIF, subject to the standards set forth herein.

In accepting this responsibility, the Investment Committee agrees to follow the Consolidated Investment Fund Investment Policy (the "Policy"), which has been approved by the Board of Regents pursuant to Section 21-1-38.B(1)(c), NMSA 1978 and the Investment Committee of the Board of Trustees of the Foundation.

The Policy is to be effective June 10, 2016 and supersedes all previous versions.

The Policy governs the investment of gifts and donations to the University or the Foundation in the form of endowments, as well as quasi-endowments established by the Board of Regents, with long-term benefit objectives. All common endowment and quasi-endowment funds of the University and the Foundation will be managed through the CIF. Participants in the CIF will receive units in the pooled fund. At all times the Policy shall recognize and implement all legally enforceable restrictions and directions that may have been placed on gifts by donors and the Policy shall comply with all applicable laws and shall be changed as necessary to comply with changes in applicable law or legal advice.

INVESTMENT PHILOSOPHY

The CIF has a long-term investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner along with the long and short-term needs of the University in carrying out its educational mission will be the major determinant of the CIF's investment performance.

The assets will be managed on a total return basis. The Policy also recognizes the importance of preservation of capital. It is appropriate to consider alternative investment strategies if such strategies are in the CIF's best interest on a risk-adjusted basis and are consistent with sufficient liquidity and investment risks that are prudent and reasonable, given the prevailing capital market conditions.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the CIF is exposed. The objective is to minimize operational risks and realize an appropriate return for the investment risks that the Investment Committee is willing to accept.

INVESTMENT OBJECTIVES AND POLICIES

Return Goal: The long-term objective of the CIF is to earn a return sufficient to preserve the purchasing power of the CIF for generations to come, as well as to provide for current needs. As a result, the goal is to achieve an annual total return, net of management and custodial fees, that equals or exceeds the annual Spending Distribution, the annual Development Funding Allocation and inflation as measured by the U.S. Department of Labor All Urban Consumer Price Index "CPI-U".

Return Measurement: To achieve the Return Goal, the CIF assets will be invested to generate a total return consisting of market appreciation and depreciation and/or dividend and interest income. While there cannot be complete assurance that the Return Goal will be realized, it is believed that the likelihood of realization is enhanced by diversifying the assets of the CIF. Over time, the Policy will aim to achieve the Return Goal while maintaining acceptable risk levels. To accomplish this goal, the CIF will diversify assets among several asset classes. The following objectives are designed to support achievement of the Return Goal and are net of (after) investment expense:

- Total CIF assets should achieve an annualized nominal rate of return equal to or greater than that of the Return Goal.
- In general, active managers will be expected to provide returns greater than their appropriate benchmark, net of fees, while utilizing acceptable risk levels, over rolling thirty-six month periods. In contrast, passive managers will be expected to provide returns nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

Preservation of Capital: Consistent with their respective investment styles and philosophies, investment managers shall make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

Cash Reserves: In accordance with the CIF's long-term investment horizon, a fully invested position should be maintained for the overall portfolio with minimal, but sufficient cash reserves to meet all current spending and capital calls.

Risk: It is important that risk is defined so that the assets are managed in a manner consistent with investment objectives and strategies. The policy defines risk as:

- Overall Investment Risk - the probability of not maintaining purchasing power over the CIF's investment time horizon, net of spending and investment expenses.
- Operational Risk - the potential of loss arising from deficiencies in internal controls, human errors, physical systems failures and other business execution risks.
- Cash Flow Risk - the probability of not achieving the CIF's short term cash flow requirements.
- Compliance Risk - non-compliance with applicable State of New Mexico statutes concerning the investment of public funds.
- Interest Rate Risk - the potential for fluctuations in bond prices due to changes in interest rates and/or a duration/liability mismatch.
- Credit Risk - the possibility that a bond issuer will fail to make timely payment of either interest or principal to the portfolio.
- Reinvestment Risk - the possibility that the proceeds of a maturing or called security will be reinvested at lower yields as a result of a general interest rate decline in the bond market.

- Liquidity Risk - the possibility that the liquidity of the market for a security may decline thereby making it more difficult to dispose of the security promptly; presenting difficulties in valuation of the security; or causing the security to experience greater price volatility.

Asset Allocation: Asset allocation is the single most important decision which affects the CIF. Investment research has determined that a significant portion of a portfolio's investment behavior can be attributed to (1) the asset classes/styles which are employed by the portfolio, and (2) the weighting of each asset class/style. Given its importance, the asset allocation will be reviewed at least quarterly and revised as necessary.

- The asset allocation shall be determined taking into consideration a comprehensive allocation study completed by the Investment Consultant and taking into consideration the asset allocations of peer institutions as published in the NACUBO-Commonfund Study of Endowments.
- The asset allocation shall be designed to give balance to the overall structure of the investment program over a long-term horizon.
- Asset allocation decisions will not be based on market timing. However, some factors may impact the policy allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include a change in the assessment of the intermediate and long-term outlook for different types of asset classes and styles or divergence in the performance of the different asset classes and styles.
- In consultation with the Investment Consultant, specific target asset allocations may be established by the Investment Committee within the minimum and maximum ranges of the Policy to address current economic and/or market conditions.

Assets shall be invested within the following maximum and minimum ranges for each asset class:

	Percent of Total Assets	
Asset Class	**Minimum**	**Maximum**
Domestic Equity[1]	10%	50%
International Equity[1]	10%	40%
Fixed Income/Cash	10%	50%
Illiquid Real Assets	0%	15%
Private Equity[2]	0%	15%
Marketable Alternatives	5%	20%

[1] The combined maximum allocation to domestic and international equities shall not exceed 70% at any point in time.

[2] A net cumulative capital allocation of up to 0.5% of total assets of the Consolidated Investment Fund as measured at the end of the fiscal year may be invested by the University of New Mexico's technology transfer nonprofit corporation, STC.UNM, in qualifying early stage venture capital investments. An investment will be considered a qualifying early stage venture capital investment if:

1. the investment is in a company created to utilize technologies transferred by STC.UNM;
2. the investment is matched on at least a 1 to 1 basis by a co-investor with experience in early stage capital ventures; and

3. STC.UNM has conducted due diligence on its own or in concert with a co-investor; and
4. STC.UNM provides the Investment Committee with reports regarding each specific early stage venture selected and quarterly updates thereafter to monitor the progress of the venture and the performance of the investment.

The University of New Mexico Foundation Investment Committee is not responsible for the evaluation, selection or management of any early stage venture capital investments made by STC.UNM with Consolidated Investment Fund assets.

It is anticipated that long-range returns for early stage venture capital investments will be equal to or better than the long-range expected return for the Consolidated Investment Fund.

Portfolio Rebalancing: It is desirable to rebalance the CIF's holdings periodically to minimize deviations from the Policy's asset allocation mix. The Investment Consultant shall inform the Investment Committee at the close of any quarter in which rebalancing the CIF is necessary. The Investment Committee shall review and approve any rebalancing actions and the Investment Consultant shall assist as needed in implementing such actions.

Manager Concentration Limits: The Investment Consultant shall identify at the close of each quarter any actively managed accounts which are in excess of 5% of total assets. The Investment Committee shall consider whether the concentration in these accounts warrants rebalancing towards a goal of 5%.

Spending Distribution: The Policy aims to distribute on an annual basis a percentage, established as discussed below, of the average market value of the CIF at the calendar year-end of the previous 20 quarters (the "Spending Distribution"). The Spending Distribution shall not exceed 6% nor be less than 4% of the average market value. The Policy allows for the Spending Distribution regardless of whether the fair market value of an individual account exceeds its historic gift value, unless otherwise precluded by the donor or by law. This practice is consistent with the Uniform Prudent Management of Institutional Funds Act, and recognizes that not spending from an endowment is likely to be contrary to a donor's intent to provide current benefits for the designated purpose. The Investment Committee shall establish at is first meeting of each calendar year the Spending Distribution to be used for the following fiscal year. The Investment Committee shall strive to maintain a Spending Distribution which achieves intergenerational equity, so today's beneficiaries do not unfairly benefit at the expense of future beneficiaries. In addition to considering this Policy and the objectives as stated above, the Investment Committee shall consider, if relevant, the following items in their annual deliberations to determine a reasonable Spending Distribution:

- The net rate of return earned by the CIF in each of the five most recent fiscal years.
- The net real (after adjusting for inflation as measured by the CPI-U) rate of return earned by the CIF in each of the five most recent fiscal years.
- Payout rates established by other university endowments as published in the NACUBO-Commonfund Study of Endowments.
- Other resources available to University and any unusual or extraordinary circumstances impacting these resources (tuition revenues, State appropriations, etc.).
- The extent to which programs benefiting from the Spending Distribution rely on these funds to achieve their goals and objectives.
- Recommendations from the CFO.
- The Spending Distribution in effect at the time of deliberations.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return of the CIF per the most recent asset allocation study.

Development Funding Allocation (the "DFA"): The Board of Regents and the Board of Trustees have agreed that a fair and reasonable uniform basis point fee applicable to all endowment accounts is an appropriate means to assist the operations of the Foundation. The DFA does not provide support for any direct costs of investing and administering the CIF, such as investment consultant fees, custodial fees and investment manager fees. These costs are assigned directly to the CIF. The DFA is subject to review and approval by the Board of Trustees and the Board of Regents as necessary.

The following items shall be considered in establishing a reasonable DFA:

- Any external costs including the Investment Consultant, custodian, and investment manager fees of managing the CIF.
- The internal (i.e., accounting, fund raising, information systems, gift administration) costs to raise funds for, manage the assets of and provide stewardship for the CIF.
- Cost Recovery Fee rates established by other university endowments if published in the NACUBO-Commonfund Study of Endowments.
- Recommendations from the CFO.
- The Development Funding Allocation in effect at the time of deliberations.
- The impact on the Spending Distribution.

Responsible Investing: "Responsible Investing" prescribes adopting investment policies and practices such as socially responsible investing (SRI) which avoids certain securities or industries through negative screening according to defined ethical guidelines and/or environmental, social and governance investing (ESG) which integrates those factors into the investment analysis to the extent that they impact investment performance. The CIF's assets have been donated by generous donors to support UNM's mission first and foremost, not to adhere to defined ethical guidelines or incorporate environmental, social and governance factors. UNM's mission is "…. to serve as New Mexico's flagship institution of higher learning through demonstrated and growing excellence in teaching, research, patient care, and community service." The Investment Committee considers the endowment to be an economic resource in advancing UNM's mission and defines its fiduciary responsibility as investing and managing the endowment assets as set forth in the Policy. The CIF's assets shall be invested for the long-term using a diversified approach with the principal goal of generating an attractive return to provide continued support to UNM at a commensurate and acceptable level of risk. Implementation is guided by the concept of complementary managers who are responsible for specific asset categories and management styles in a diversified portfolio. Investment strategies shall not be altered or modified for reasons unrelated to achieving this objective.

Donor Directed Investments: The UNM Foundation's Gift Acceptance Committee will consider requests from donors who approach the Foundation with a desire to support the important work of UNM and express an interest in having their endowment or quasi-endowment gifts invested in a cause-related way. If the donor's gift is accepted, the Foundation's Investment Committee will strive to identify an appropriate endowment investment vehicle outside the CIF to meet the donor's concerns while insuring that the University's goals, objectives and values are maintained. The restriction or designation of a particular donor shall not be imposed on any other gifts or endowment assets.

Previous donations invested within the CIF will not be considered for divestment from the CIF and reinvestment outside the CIF.

AUTHORITY AND RESPONSBILITY

University of New Mexico Board of Regents

The Board of Regents shall review the performance of the Investment Committee and the CIF at least annually. The Board of Regents shall approve annually, along with the Board of Trustees:

- The Investment Policy and any changes thereto.
- The Development Funding Allocation basis point fee.
- The Investment Consultant and its fees.

University of New Mexico Foundation Board of Trustees

In accordance with the bylaws of the Foundation, the Board of Trustees shall appoint an Investment Committee. The Board of Trustees shall approve, along with the Board of Regents:

- The Investment Policy and any changes thereto.
- The Development Funding Allocation basis point fee.
- The Investment Consultant and its fees.

The Investment Committee

The Investment Committee has fiduciary responsibility for directing and monitoring the investment of the CIF, and is authorized to retain and solicit recommendations of qualified professionals including the CFO, Investment Consultant and Investment Managers.

The Investment Committee's responsibilities include:

- Recommending an Investment Consultant and the contract.
- Selecting an Investment Custodian and approving the contract.
- Approving investment products for inclusion in the CIF portfolios.
- Monitoring the CIF investments for compliance with all laws, rules and regulations, including but not limited to the Management of Charitable Funds Act as implemented by the State of New Mexico from time to time.
- Developing an investment policy for approval by the Board of Trustees to include an asset allocation model taking into consideration the appropriate rates of return and risk for each asset class.
- Reviewing performance at both the manager and portfolio level on a periodic basis and, if necessary, instructing the CFO and/or the Investment Consultant to conduct additional due diligence on any investment manager/product.
- Rebalancing the CIF in accordance with the asset allocation ranges.
- Providing regular reports to the Board of Trustees and to the Board of Regents, including recommendations with respect to any suggested changes in investment policies.

The Chief Financial Officer

The CFO serves as an advisor to the Investment Committee, and shall assist the Investment Committee as needed in carrying out their responsibilities noted above. Additional responsibilities of the CFO include:

- Implementing Investment Committee decisions as directed.
- Working directly with the Investment Consultant as needed.
- Preparing an annual report on the CIF, including performance and allocation information important to the donor community.
- Coordinating agenda items with the Investment Committee Chair and scheduling meetings of the Investment Committee such that all important matters are brought to the Committee's attention in a timely fashion.
- Reviewing and executing, in consultation with legal counsel, all offering documents for new investment products approved by the Investment Committee.
- Providing the Investment Committee with reports comparing investment performance and asset allocation with the NACUBO-Commonfund Study of Endowments.

The Investment Consultant

The Investment Consultant is responsible for providing advice to the Investment Committee as follows:

- Reviewing the asset allocation as appropriate and no less than annually.
- Monitoring the portfolios to ensure that assets remain within the designated ranges as specified in the asset allocation models, and recommending appropriate actions to address situations outside the designated ranges.
- Providing written comments and recommendations on the Policy as needed, but on no less than an annual basis.
- Assisting in selecting, monitoring, and replacing investment managers and products.
- Recommending appropriate benchmarks and peer groups with which to monitor selected investment managers.
- Providing written quarterly reports no less than quarterly to the Investment Committee on investment products and managers, including departures of key personnel, style drift, changes in investment process and any other matter requiring the Investment Committee's attention including a recommendation that an investment manager be retained or terminated.
- Disclosing any fee relationships with investment managers, advertisers, placement agents or other providers of service for the CIF.
- Presenting reports to the Board of Regents and the Board of Trustees as needed.
- Reviewing all offering documents for new investment products prior to submission to the CFO for signature.

The Investment Managers

Investment managers shall:

- Act as responsible fiduciaries in all matters involving their management of CIF assets and comply with all applicable laws, rules and regulations.

- Report all activity to the CFO and Investment Consultant on a timely basis as agreed, but in no event will such report be provided on less than a quarterly basis. Such reports shall include a comparison of performance with the agreed-upon benchmark, and might include details about the holdings and strategies of the applicable product.
- Vote, or cause to be voted, all proxies on securities held by the CIF.
- Provide CFO with copies of audited financial statements covering the investment product in a timely manner.
- Make presentations to the Investment Committee when and as requested.
- Maintain a strict adherence to the mandate under which they were engaged.
- Provide CFO and Investment Consultant with a written report within five business days of the following matters: (a) change in ownership or legal entity status; (b) change in key personnel, including a change in anyone on the product portfolio management team; (c) change in investment philosophy or style; (d) civil or criminal charges filed against the firm by a regulator.
- Disclose any fee relationship with the investment consultant, advertisers, placement agents or other providers of service for the CIF.

The Investment Custodian:

The Investment Custodian shall:

- Provide monthly reports detailing investment holdings and account transactions within **15** business days following the end of each month and an annual report summarizing the following within 15 business days following each fiscal year end.
- Establish and maintain an account(s) for each Investment Manager of the portfolio as requested by the CFO.
- Provide all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of uninvested cash, etc., effect trades, if applicable, manage securities lending program, if applicable.
- Prepare additional accounting reports as requested by the CFO or Investment Consultant.

PERFORMANCE MEASUREMENT AND REPORTING

Performance Measurement

The performance of the CIF will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. In consideration of the CIF's goals and objectives, several standards will be utilized in evaluating investment performance as opposed to a single measure. These standards reflect several aspects of investment performance, including the specific objectives and the market indices used to measure the performance of individual Managers.

- TOTAL FUND PERFORMANCE: The Investment Committee expects the total assets under management to perform in the upper quartile of an acceptable comparable peer universe, over a market cycle or a three to five year period if shorter.

- ASSET CLASS LEVEL PERFORMANCE: Each asset class approved by the Investment Committee will have an intermediate term benchmark that is investable and a longer term benchmark that represents the investment objective in that asset class's inclusion in the portfolio.

- INVESTMENT MANAGER PERFORMANCE: Each Investment Manager's performance should compare favorably over comparable periods to that of other Investment Managers of a like style and discipline. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem it appropriate. However, the Investment Managers will be evaluated against their peers and their predetermined benchmarks on the performance of the total funds under their direct management.

Conflict of Interest

All persons responsible for investment decisions or who are involved in the management of the Foundation or who are consulting to, or providing any advice whatsoever to the Investment Committee, shall disclose in writing at the beginning of any discussion or consideration by the Investment Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Investment Committee will require such persons to remove themselves from the decision-making process.

Any members of the Investment Committee responsible for investment decisions or who are involved in the management of the Foundation shall refuse any remuneration, commission, gift, favor, service or benefit that might influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by the Investment Committee. The intent of this provision is to eliminate conflicts of interest between committee membership and the Foundation. Failure to disclose any material benefit shall be grounds for immediate removal from the Investment Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Foundation's custodian(s), Investment Managers, or Investment Consultant in the course of their services on behalf of the Foundation.

UNM Foundation, Inc.
UNM Regent's Advisor Report
March 2017

Changing Worlds 2020: The Campaign for UNM

The University of New Mexico launched *Changing Worlds: The Campaign for UNM* in 2006. Since then, nearly 70,947 generous donors have made this campaign the largest campaign in UNM history, with more than $886.1 million in gifts in support of scholarships, patient care, research, and more.

Building on the UNM 2020 goals, but with the same emphasis on student success and opportunity, faculty support and research, campus programs, and capital projects and facilities, President Robert G. Frank has announced that the campaign has been refreshed and extended. *Changing Worlds 2020: The Campaign for UNM* will continue to energize alumni and friends to make meaningful gifts.

Folding in the current campaign results, the goal has been set to strive for a total of $1 billion in private support by the end of 2020.

Specific fundraising highlights:

UNM STEM received a gift of $700,000

UNM Art Museum received a gift of $150,000

School of Medicine – Department of Pediatrics received a gift of $200,000

College of Nursing received a gift of $250,000

THE UNIVERSITY of NEW MEXICO FOUNDATION

Fundraising Performance Report

FY 16/17, December 31, 2016

Changing Worlds 2020 Campaign	CASE Campaign Standards Campaign to Date	GOAL	% OF GOAL	VSE Standards To Date
Gift Commitments	$ 878,427,450	$1,000,000,000	87.8%	$689,529,413
- Cash/Cash Equivalents	516,594,119	N/A	N/A	689,529,413
- In-Kind	80,484,285	N/A	N/A	N/A
- Pledges	109,928,033	N/A	N/A	N/A
- Testamentary	171,421,013	N/A	N/A	N/A
Pledges Due	18,477,821	N/A	N/A	N/A
Testamentary Gifts Due	145,294,887	N/A	N/A	N/A

Council for Advancement and Support of Education (CASE) reporting is on an "accrual basis" and Voluntary Support of Education (VSE) reporting is on a "cash basis".

Gift Commitments (Fiscal Year)	This Quarter	FYTD 16/17	GOAL	FY 15/16
Main Campus				
- Cash/Cash Equivalents	$ 2,236,127	$ 4,875,698	N/A	$ 12,227,445
- In-Kind	$ 743,610	$ 2,911,489	N/A	2,732,031
- Pledges	$ 244,000	$ 524,000	N/A	565,750
- Testamentary	$ 292,500	$ 2,430,886	N/A	8,923,406
Sub-Total	$ 3,516,237	$ 10,742,073	$ 20,700,000	$ 24,448,632
HSC				
- Cash/Cash Equivalents	$ 3,651,675	$ 9,446,598	N/A	$ 20,110,632
- In-Kind	$ 2,477,438	$ 2,768,117	N/A	660,966
- Pledges	$ 2,809,672	$ 3,007,172	N/A	3,392,581
- Testamentary	$ 1,963,000	$ 4,443,000	N/A	8,861,759
Sub-Total	$ 10,901,785	$ 19,664,887	$ 25,450,000	$ 33,025,938
Athletics				
- Cash/Cash Equivalents	$ 1,084,869	$ 2,461,821	N/A	$ 8,088,212
- In-Kind	$ 85,743	$ 85,743	N/A	289,751
- Pledges	$ 1,038,000	$ 1,338,000	N/A	1,220,000
- Testamentary	$ -	$ -	N/A	350,000
Sub-Total	$ 2,208,612	$ 3,885,564	$ 10,000,000	$ 9,947,963
Other Campus Units *				
- Cash/Cash Equivalents	$ 4,699,309	$ 7,606,815	N/A	$ 14,329,666
- In-Kind	$ 210	$ 20,704	N/A	86,446
- Pledges	$ 81,921	$ 81,921	N/A	34,500
- Testamentary	$ 50,000	$ 241,666	N/A	5,175,094
Sub-Total	$ 4,831,440	$ 7,951,106	$ 23,850,000	$ 19,625,706
Total	$ 21,458,074	$ 42,243,630	$ 80,000,000	$ 87,048,239

* Other campus units include KNME, KUNM, UNM Branch Campuses, President's Office, Provost's Office, Enrollment Services, Student Affairs and numerous other units not classified as main campus, HSC or athletics.

Gift Destinations	This Quarter	FYTD 16/17	FY 15/16	FY 14/15
UNM Foundation	$ 14,098,629	$ 23,165,920	$ 51,143,880	$ 51,048,398
Reported Gifts *	$ 7,359,445	$ 19,077,710	$ 35,904,359	$ 39,637,558
Total	$ 21,458,074	$ 42,243,630	$ 87,048,239	$ 90,685,956

* Reported Gifts = gifts made directly to KNME, KUNM, Lobo Club, and OVPR, but reported by UNM Foundation per MOA.

THE UNIVERSITY of NEW MEXICO FOUNDATION

Fundraising Performance Report

FY 16/17, December 31, 2016

Gift Commitments (Fiscal Year)	FYTD 16/17	FY 15/16	FY 14/15
Cash/Cash Equivalents	$ 24,390,932	$ 54,755,955	$ 58,067,197
Pledges			
- Beginning Balance Pledges Receivable	$ 16,971,848	$ 18,819,529	27,119,237
- Add: New Pledges	$ 6,001,093	$ 5,586,331	10,708,250
- Less: Pledge Payments	$ (3,445,120)	$ (7,434,012)	$ (18,905,499)
- Less: Pledges Modified/Written Off	$ (1,050,000)	$ (373,500)	(102,459)
- Ending Balance Pledges Receivable	$ 18,477,821	$ 16,971,848	18,819,529
In Kind	$ 5,786,053	$ 3,769,194	5,900,335
Testamentary	$ 7,115,552	$ 23,310,259	16,010,174
Total	$ 42,243,630	$ 87,048,239	$ 90,685,956

Performance Measures	This Quarter	FYTD 16/17	FY 15/16	FY 14/15
Gift Commitment Income	$ 21,458,074	$ 42,243,630	$ 87,048,239	$ 90,685,956
# of Gifts	9,357	16,190	33,373	34,205
# of Donors	4,763	6,936	12,721	13,934

Efficiency Measures	FYTD 16/17	FY 15/16	FY 14/15	FY 12/13
Cost per Dollar Raised *	$0.13	$0.13	$0.12	$0.13

* Compares UNM Foundation budget expenditures to gift commitments.

Consolidated Investment Fund - Investment Performance

FY 16/17, December 31, 2016

Investment Performance Results	Market Value	FYTD 16/17	1-Year	3-Year	5-Year
FY 16/17, December 31, 2016	$ 410,258,435	5.1%	7.2%	3.7%	7.3%
Custom Benchmark *		5.0%	7.1%	4.0%	7.2%
FY 15/16 (June 30, 2016)	$ 395,140,793	N/A	-1.3%	5.0%	5.4%
Custom Benchmark *		N/A	-0.9%	5.4%	5.2%
NACUBO/Commonfund **		N/A	-2.4%	4.9%	5.1%

* Custom Benchmark is a blended benchmark consisting of indices for all asset classes.

** NACUBO/Commonfund Endowment Study ($101 million to $500 million)

Consolidated Investment Fund - Asset Allocation

FY 16/17, December 31, 2016

Investment Class	Current Allocation	Target Allocation	Investment Policy Ranges
Domestic Equity	22.6%	20%	10% - 50%
International Equity	19.7%	20%	10% - 40%
Fixed Income/Cash	20.4%	20%	10% - 50%
Real Assets - Liquid	3.0%	5%	0% - 5%
Real Assets - Illiquid	5.4%	5%	0% - 10%
Hedge Funds	19.5%	20%	0% - 20%
Private Equity	9.4%	10%	0% - 15%

THE UNIVERSITY of NEW MEXICO FOUNDATION

Consolidated Investment Fund - Spending Distribution

FY 16/17, December 31, 2016

CIF Spending Distribution	FYTD 16/17	FY 16/17 Approved Distribution
Endowment Spending Distribution	$ 7,519,587	$ 15,000,000

Consolidated Investment Fund - Development Funding Allocation

FY 16/17, December 31, 2016

Development Funding Allocation	%	Dev Funding Allocation	Total Budget Expenditures	% Overall Budget
FYTD FY 16/17	1.60%	$2,790,711	$5,326,041	52%
FY 15/16	1.60%	$5,604,448	$11,498,151	49%
FY 14/15	1.4/1.6%	$5,184,050	$11,309,689	46%
FY 13/14	1.40%	$4,655,028	$11,367,397	41%
FY 12/13	1.85%	$5,574,795	$9,757,964	57%
FY 11/12	1.85%	$5,906,418	$9,106,051	65%

UNM Foundation Budget vs. Actual

FY 16/17, December 31, 2016

Sources of Budget	Budget	FYTD	% Used	Projected
UNM Support	$ 5,529,617	$ 2,897,685	52.40%	$ 5,472,730
Development Funding Allocation	5,585,067	2,790,711	49.97%	5,585,809
Short-Term Investment Income	450,000	453,056	100.68%	472,028
Unrestricted Gifts & Other Revenue	110,000	113,419	103.11%	125,000
Total	11,674,684	6,254,871	53.58%	11,655,567

Uses of Budget	Budget	FYTD	% Used	Projected
Salaries/Fringe Benefits	$ 9,367,087	$ 4,260,289	45.48%	$ 9,174,476
Operating Expenditures	2,283,075	1,065,752	46.68%	2,300,940
Total	11,650,162	5,326,041	45.72%	11,475,416

Reserve Balances	Budget	FYTD	% Used	Projected
Surplus/(Deficit) from Operations	$ 24,522	$ 928,830	N/A	$ 180,151
Beginning Reserve Balances	1,369,940	1,369,940	N/A	1,369,940
Ending Reserve Balances	1,394,462	2,298,770	N/A	1,550,091

Revisions to Reports Approved by Board of Regents
March 2012
September 2012

THE UNIVERSITY OF NEW MEXICO

MR. AND MRS. HUGH B. AND HELEN K. WOODWARD ENDOWMENT

FUNDED BY THE SANDIA FOUNDATION

	2012-13	2013-14	2014-15	2015-16	2016-17	
PRINCIPAL/CORPUS						
BEGINNING MARKET VALUE, JULY 1:	$ 36,545,942	$ 40,213,741	$ 46,217,372	$ 46,457,996	$ 45,215,313	
ADDITIONS	1,327,500	1,046,250	1,800,000	1,613,250	671,625	
INVESTMENT EARNINGS	4,119,725	6,788,018	438,314	(731,442)	2,301,604	**(1)**
DEVELOPMENT FUNDING ALLOCATION	-	-	-	-	-	**(3)**
SPENDING DISTRIBUTION	(1,779,426)	(1,830,637)	(1,997,690)	(2,124,491)	(1,018,194)	**(2)**
ENDING MARKET VALUE, JUNE, 30:	$ 40,213,741	$ 46,217,372	$ 46,457,996	$ 45,215,313	$ 47,170,348	

(1) FY 2016-17 Net Investment Earnings:	Represents the actual net investment earnings through December 31, 2016. Net investment earnings for the period of July 1, 2016, through December 31, 2016, were 5.1%, net of manager fees.
(2) FY 2016-17 Spending Distribution:	Represents the quarterly spending distributions from July 1, 2016, through December 31, 2016.
(3) FY 2016-17 Development Funding Allocation:	The Development Funding Allocation is not assessed on the Woodward endowment.

THE UNIVERSITY OF NEW MEXICO
WINROCK LAND SALE ENDOWMENT

	2012-13	2013-14	2014-15	2015-16	2016-17	
PRINCIPAL/CORPUS						
BEGINNING MARKET VALUE, JULY 1:	$ 26,069,492	$ 27,420,035	$ 30,541,208	$ 29,296,021	$ 27,250,676	
ADDITIONS	-	-	-	-	-	
INVESTMENT EARNINGS	2,900,008	4,564,443	284,506	(476,523)	1,382,167	**(1)**
DEVELOPMENT FUNDING ALLOCATION	(496,004)	(400,496)	(435,063)	(453,178)	(219,415)	
SPENDING DISTRIBUTION	(1,053,461)	(1,042,774)	(1,094,630)	(1,115,644)	(517,234)	**(2)**
ENDING MARKET VALUE, JUNE, 30:	$ 27,420,035	$ 30,541,208	$ 29,296,021	$ 27,250,676	$ 27,896,195	

(1) FY 2016-17 Net Investment Earnings:	Represents the actual net investment earnings through December 31, 2016. Net investment earnings for the period of July 1, 2016, through December 31, 2016, were 5.1%, net of manager fees.
(2) FY 2016-17 Spending Distribution:	Represents the quarterly spending distributions from July 1, 2016, through December 31, 2016.

THE UNIVERSITY OF NEW MEXICO
REGENTS' ENDOWMENT

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
PRINCIPAL/CORPUS												
BEGINNING MARKET VALUE, JULY 1:	$26,548,336	$32,325,235	$36,674,360	$35,018,525	$25,165,952	$25,889,070	$28,836,764	$ 27,249,619	$ 27,508,609	$ 30,639,864	$ 28,643,719	$ 26,643,915
ADDITIONS:												
MESA DEL SOL PROPERTY SALE	8,045,923	-	-	-	-	-	-	-	-	-	-	-
INNOVATE ABQ REPAYMENT	-	-	-	-	-	-	-	-	-	2,038,082	-	-
WITHDRAWALS:												
ASM STUDENT INVESTMENT PROGRAM	(2,000,000)	-	-	-	-	-	-	-	-	-	-	-
INNOVATE ABQ	-	-	-	-	-	-	-	-	-	(2,800,000)	-	-
GIBSON/MULBERRY PROPERTY PURCHAS	(1,645,435)	-	-	-	-	-	-	-	-	-	-	-
2811 CAMPUS PROPERTY PURCHASE	(242,798)	-	-	-	-	-	-	-	-	-	-	-
SCHOLARSHIP FUNDING	-	-	-	(880,525) **(3)**	-	-	-	-	-	-	-	-
BASEBALL FIELD CAPITAL PROJECT	-	-	-	-	-	-	-	(1,100,000)	-	-	-	-
UNM BRANDING CAMPAIGN	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)
INVESTMENT EARNINGS	2,789,695	6,123,941	284,643	(7,060,716)	2,659,659	4,759,412	101,609	2,917,311	4,579,187	256,330	-$465,913	$1,320,058 **(1)**
DEVELOPMENT FUNDING ALLOCATION		(329,734)	(398,416)	(335,326)	(505,476)	(507,115)	(508,986)	(502,354)	(401,790)	(420,815)	(443,088)	(207,879)
SPENDING DISTRIBUTION	(1,170,486)	(1,445,081)	(1,542,062)	(1,576,006)	(1,431,065)	(1,304,603)	(1,179,768)	(1,055,967)	(1,046,142)	(1,069,742)	(1,090,803)	(505,717) **(2)**
ENDING MARKET VALUE, JUNE 30:	$32,325,235	$36,674,360	$35,018,525	$25,165,952	$25,889,070	$28,836,764	$27,249,619	$ 27,508,609	$ 30,639,864	$ 28,643,719	$ 26,643,915	$ 26,250,377 **(4)**

(1) FY 2016-17 Net Investment Earnings:	Represents the actual net investment earnings through December 31, 2016. Net investment earnings for the period of July 1, 2016, through December 31, 2016, were 5.1%, net of manager fees.
(2) FY 2016-17 Spending Distribution:	Represents the quarterly spending distributions from July 1, 2016, through December 31, 2016.
(3) FY08-09 Withdrawal for scholarship funding:	$1,000,000 was authorized to be withdrawn from the Regents' Endowment for FY08-09 scholarship funding. Of the authorized $1,000,000, $880,525 was withdrawn from the endowment.
(4) Mesa Del Sol Property Sale:	The Regents' Endowment includes proceeds from the "Mesa del Sol" property sale. Total proceeds of this sale were $8,045,923 and the proceeds were added to the Regents' endowment in June of 2006. The Mesa del Sol contribution is not tracked separately, but an estimated value based on net investment earnings, spending distributions, withdrawals, and development funding allocations for the Regents' Endowment since that time, is $5,343,027.

THE UNIVERSITY OF NEW MEXICO

REGENTS' ENDOWMENT - MESA DEL SOL ADDITION

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
PRINCIPAL/CORPUS													
BEGINNING MARKET VALUE, JULY 1:	$ -	$ 8,045,923	$ 9,128,444	$ 8,716,297	$ 6,483,107	$ 6,669,392	$ 7,428,760	$ 7,019,889	$ 6,227,564	$ 6,936,437	$ 6,686,409	$ 6,219,587	
ADDITIONS:													
MESA DEL SOL PROPERTY SALE	8,045,923	-	-	-	-	-	-	-	-	-	-	-	
INNOVATE ABQ REPAYMENT	-	-	-	-	-	-	-	-	-	2,038,082	-	-	
WITHDRAWALS:													
MERIT-BASED SCHOLARSHIPS	-	-	-	-	-	-	-	-	-	-	-	-	
INNOVATE ABQ	-	-	-	-	-	-	-	-	-	(2,000,000)	-	-	
GIBSON/MULBERRY PROPERTY PURCHAS	-	-	-	-	-	-	-	-	-	-	-	-	
2811 CAMPUS PROPERTY PURCHASE	-	-	-	-	-	-	-	-	-	-	-	-	
BASEBALL FIELD CAPITAL PROJECT	-	-	-	-	-	-	-	(1,100,000)	-	-	-	-	
UNM BRANDING CAMPAIGN	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)	
INVESTMENT EARNINGS	-	1,524,281	70,849	(1,757,450)	685,166	1,226,092	26,176	660,479	1,036,664	59,836	(108,760)	268,686	**(1)**
DEVELOPMENT FUNDING ALLOCATION		(82,073)	(99,168)	(83,464)	(130,218)	(130,640)	(131,122)	(113,733)	(90,960)	(98,232)	(103,432)	(42,312)	
SPENDING DISTRIBUTION	-	(359,688)	(383,827)	(392,276)	(368,663)	(336,084)	(303,925)	(239,071)	(236,832)	(249,714)	(254,630)	(102,934)	**(2)**
ENDING MARKET VALUE, JUNE 30:	$ 8,045,923	$ 9,128,444	$ 8,716,297	$ 6,483,107	$ 6,669,392	$ 7,428,760	$ 7,019,889	$ 6,227,564	$ 6,936,437	$ 6,686,409	$ 6,219,587	$ 5,343,027	**(4)**

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(4) Mesa Del Sol Property Sale:	The Regents' Endowment includes proceeds from the "Mesa del Sol" property sale. Total proceeds of this sale were $8,045,923 and the proceeds were added to the Regents' endowment in June of 2006. The Mesa del Sol contribution is not tracked separately, but an estimated value based on net investment earnings, spending distributions, withdrawals, and development funding allocations for the Regents' Endowment since that time, is $5,343,027.