

**Budget Summit Minutes**  
**The Board of Regents of the University of New Mexico**  
**March 22, 2018**  
**Student Union Building (SUB) – Main Campus**  
**Open Session – Ballrooms A & B**

Members present

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

Administration present

Garnett S. Stokes, President; David Harris, EVP for Administration, COO, CFO; Paul Roth, Chancellor for Health Sciences; Dorothy Anderson, VP HR; Rich Wood, Interim Senior Vice Provost; Liz Metzger, Controller; Ava Lovell, HSC Sr. Exec. Officer of Finance and Administration; Michael Richards, Vice Chancellor for Clinical Affairs; Eddie Nuñez, Athletic Director; Elsa Cole, University Counsel; Duane Arruti, CIO

Regents' Advisors present

Alaa Elmaoued, GPSA; Noah Brooks, ASUNM; Pamela Pyle, Faculty; Rob Burford, Staff Council

Presenters in attendance

Craig White, Dean, ASM; Mark Peceny, Dean, College of Arts & Sciences; Geraldine Forbes Isias, Dean, School of Architecture & Planning; Jerry Dominquez, UNM Branch Campus Liaison; Alice Letteney, CEO, UNM Valencia Branch Campus; Cindy Rooney, CEO, UNM Los Alamos Branch Campus; James Malm, CEO, UNM Gallup Branch Campus; Patrick Valdez, CEO, UNM Taos Branch Campus; Rob Robinson, Athletics CFO; Norma Allen, Dir. University Budget Operations; Nicole Dopson, Dir. Financial Operations; Terry Babbitt, Vice Provost for Enrollment Management & Analytics

Others in attendance

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

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

Regent President Rob Doughty called the meeting to order at 9:10 AM and confirmed a quorum with 7 members present in person. Regent Doughty recognized and welcomed Regent Michael Brasher, appointed by the Governor the preceding day.

Regent Doughty put forth an amendment to the agenda, to add student comment after comments from the Deans Council.

**The motion to adopt the agenda as modified passed unanimously (1<sup>st</sup> Lee; 2<sup>nd</sup> Hosmer).**

APPROVAL OF THE CONTRACT FOR UNM FY18 ANNUAL FINANCIAL STATEMENTS AUDIT

Liz Metzger presented the item. **[Exhibit A]** This is request for approval of year two of a three-year RFP for the annual external financial audit. Moss Adams will be the primary auditor, and they subcontract with KPMG for the audit of the clinical operations. The Audit and Compliance Committee approved Moss Adams with KPMG subcontract for year two with the provision that KPMG get a new engagement partner to oversee their piece of the audit. That is due to what is called, familiarity risk, since the current engagement partner has been working on UNM audits for a number of years. This was recommended by the State Auditor's office.

Ms. Metzger mentioned an additional item, the State Auditor's office will be coming back to follow-up on the athletic audit that was done last year to ensure the action items the University put forth have taken place and corrections to findings have occurred. A team at UNM has been meeting regularly to ensure the University is addressing all of the items. UNM's Internal Audit department is performing a separate audit of athletics, as a regular rotation audit and also to ensure the State Auditor's findings are addressed.

Regent Clifford added the State Auditor last year, with a great deal of support from UNM's staff, did a deep dive on the athletics budget, and they did identify some control issues and processes that needed to be improved. UNM is addressing those, so progress has been made.

**The motion to approve the Contract for the UNM FY18 Annual Financial Statements Audit passed with a unanimous vote (1<sup>st</sup> Clifford; 2<sup>nd</sup> Lee).**

### INTRODUCTION AND REMARKS

On the advent of her three-week anniversary as President of the University of New Mexico, President Garnett S. Stokes, said she was honored to open the discussions that will create important building blocks for the FY19 budget that will be presented for final approval at a later date. University budgets are complex and influenced by many variables, both internal and external; subsequently, it takes thoughtful deliberation and collaboration, infused with innovation, to build a sustainable university budget that advances the University's mission. Dr. Stokes mentioned it has been interesting to learn and to compare to past exposure in other universities, UNM's Budget Leadership Team (BLT) process and the mechanism the University uses and cultivates. The BLT is comprised of faculty, staff, and students from all across the campus, each of whom bring a different perspective to the process. It is an active group that encourages differing views. It includes several deans, representatives from administration, academic affairs, staff council, faculty senate, GPSA, and ASUNM. President Stokes confirmed it is the best process witnessed at any university. This is a responsible budget. The proposal includes: campus safety as a continued priority, a compensation increase, a budget for faculty promotion and retention, and most importantly, this plan replaces non-recurring funds imbedded in the current budget with recurring funds for recurring expenses. Most investments will directly impact the University's most valuable asset, students. The BLT has worked for months to come up with the proposal being submitted. President Stokes urged the Regents to consider the collective recommendations. What is being proposed reflects a consensus among all parties who participated in the BLT. Each of us defines all of us, and this is true with this budget proposal.

### COMMENTS FROM THE DEANS COUNCIL

Dean Forbes and Dean Peceny, on behalf of all UNM deans, urged the Regents to approve the proposed budget, noting previous Regent investments made in students, staff, and faculty are advancing UNM and student outcomes. However, they questioned continued advancement if further investment is not made, noting a decline in the third-semester retention rate, a leading indicator for future graduation rates. Deans are also concerned about staff burn-out and faculty retention, and believe the proposed budget, if passed, will give hope to faculty regarding their future teaching and research careers. They noted student leaders support the budget proposal's tuition increase, funds from which will be invested in supporting faculty, students, staff, and academic programs, and that the deans will ensure monies are spent to further the teaching, research, and service missions of UNM.

### COMMENTS FROM STUDENTS

Brendon Gray, a sophomore Economics-Political Science major, commented on the responsibility of the board's members to set a culture of transparency and accountability and trust.

Jacob Silva, ASUNM Joint Council, spoke on behalf of the Council in support of the tuition increase for faculty retention and campus safety. He asked students in the audience in favor to stand. Mr. Silva asked the Board of Regents to remember the students are the customers, and just like a business, if the customer is not happy, the business will fail.

Becka Myers, ASUNM Presidential Candidate, spoke for herself on the tuition proposal that was agreed upon across multiple groups. Ms. Myers spoke in agreement with the plan that will be presented and supports the compromise for increases in areas of safety and financial aid. Ms. Myers urged the Regents to listen to students, faculty and staff who will see the direct effects of the board's actions today. Financial responsibility shouldn't be taken lightly in all forms, including tuition, fees and athletics.

Jorge Rios, ASUNM senator, spoke in support of the Budget Leadership Team recommendations and the proposed tuition increases. Mr. Rios spoke in favor of supporting academics, student success, student resource centers, student research, faculty retention and maintaining great staff. Mr. Rios encouraged the Regents to not reduce funding for those critical areas that make UNM a destination university.

Mohammed Assed, ASUNM senator, commented that students' voices are not being heard; students do not support forgiveness of any departmental debt. Students need financial aid to get an education that will ultimately better the State. Students need safety and security on campus. There is an overwhelming need for fiscal responsibility. Students deserve the best faculty and staff. Faculty and staff are just as important as the students. On behalf of students, Mr. Assed said he supported the student proposal that improves the University while recognizing the needs of all students.

Benjamin López, a sophomore majoring in Economics, also president of campus organizations, Eco-Reps and Diversity & Social Justice Advocates, spoke regarding the proposed bailout of the athletic department. If this were to occur, this would reward bad behavior and financial mismanagement with a blank check that's allowing what has gone before to continue without changing anything. If this is passed, there should at least a stipulation to know how the athletics department spends its money and how it is going to reform so this won't continue in the future.

Josh Kerr, runs on UNM's Track & Field team, currently a junior majoring in Communications and moving toward the 3-2 program to attain an MBA, spoke in favor of the athletics department which has given him the opportunity to attain 3 NCAA medals for UNM while also pursuing his education. Mr. Kerr thanked UNM and his coaches for the support, and he feels privileged to put on the UNM jersey every time he races. The men and women's track athletes are working hard and giving back to UNM because they have good support from their coaches.

Cherise Beynon, on the UNM Women's Basketball team, a senior majoring in Business Administration, came here from Las Vegas, Nevada. Ms. Beynon was given a scholarship, it was her only chance to attend college so she dedicated her life to playing sports. A first generation college student, UNM has given her this opportunity play here and represent the University; the culture here is amazing; she also likes to represent and put on the jersey of UNM. Ms. Beynon's GPA is 4.1, and she has earned the CoSIDA Academic All-American of the Year, the first female to obtain this at UNM. Ms. Beynon talked about the hard work athletes put in also academically, and she would like to speak not only for student athletes, but for all students, and encourage that every student has a voice.

BRANCH CAMPUSES BUDGET OVERVIEW (information item)

Jerry Dominquez introduced the item. The branches have been a part of UNM for a long time. UNM Gallup is celebrating 50 years as a branch; UNM Valencia has been a branch for 35 years; UNM Los Alamos for 38 years, but prior was a center since 1956; and UNM Taos has been a branch for 15 years, and was a center since 1993. Branches represent the flagship university in key, strategic parts of the State. Gallup serves over 2,200 students, is 91% minority, with 85% of those being Navajo students; Valencia serves 4,300 students, 1,050 FTE, and is 70% minority; Los Alamos serve 1,100 students, about 65% minority; UNM Taos has a student population of 1,500, also about 65% minority. Branch campuses are funded differently from Main Campus. They receive state funding and collect tuition and fees and also have support from their communities through a mil levy process. They also have extended contracts and grants. Collectively, the branches have about a \$51 million budget.

The branches are not requesting tuition and fee increases this year. They each have a formal operating agreement with the Board of Regents and pay UNM 3.6% of all of their expenditures, which is about \$1.8 million. This is for the academic and administrative services they receive.

Dr. Dominquez turned the presentation over to the Branch Campus CEOs who would present their budget proposals. **[Exhibit B]**

UNM Valencia Branch Campus:

Alice Letteney presented the budget overview for UNM Valencia. UNM Valencia's budget is relatively flat. The advisory board recommended no tuition increase. There was an increase of about \$83K in the local mil levy. Over 20% of revenues come from grants and contracts, and most of that goes to services for students. Enrollment is relatively flat.

UNM Los Alamos Branch Campus:

Cynthia Rooney presented the budget overview for UNM Los Alamos. Los Alamos is the smallest campus in terms of budget and enrollment, but it has a great history. UNM became present in the community in 1956 as a graduate center, and in 1980 officially became a branch campus. Enrollment is up 2%, but is up 22% since 2014. There has also been growth in the number of degrees offered. Since, 2014, the number of degrees has grown by 53%. UNM Los Alamos is very proud of the momentum that it has, and the probably primary reason for the branch's growth is that it is serving the community. The last mil levy passed with 67%, which is evidence of community support, and due to the significant financial support of the mil levy, the local board recommended no tuition increase. Grant funding is remaining at about 20%.

UNM Taos Branch Campus:

Patrick Valdez presented the budget overview for UNM Taos. This is his first presentation to the Regents after being hired as the UNM Taos CEO starting July of last year (2017). UNM Taos's budget is also flat. Contracts and grants are about 36% of the budget. Enrollments are about 10% down from last year. Dr. Valdez said when he started, there was not an enrollment strategy in place, so now they are taking a good look at programs offered and marketing outreach. Tuition is a relatively small part of total revenue and it was decided not to pursue a tuition increase as the route to go. On the expenditure side, they are relatively flat. One of the uses of reserves is due to so many grants and contracts, there is a contingency use in case of the sunset of any individual grant. There is also some anticipation that some reserves may be used for building maintenance to take care of the buildings.

Regent Clifford inquired about the reserve level to accommodate the risk of losing a grant. Dr. Valdez said there is currently about \$2.5 million in reserves; some level is required by the State, so about \$1.1 million could be available. The hope is to not have to use reserves, but the message of commitment to faculty and staff is important. Fiscal responsibility is also important, so looking at other avenues for savings and efficiencies. There was also discussion about the

community's support, the advisory board support, and the mil levy as important revenue support to also keep tuition down.

**UNM Gallup Branch Campus:**

James Malm presented the budget overview for UNM Gallup. Instruction and General (I&G) budget is \$14.3 million; no tuition increase is requested and no use of reserves is budgeted. There was a State Appropriations loss of \$48.5K, but there is new Trio Upward Bound funding that will be significant for student support. There is opportunity for new dual enrollment and concurrent enrollment through a new partnership with Gallup McKinley County Schools which will be significant.

The Regents thanked the branch campus CEOs for the presentations and the work they are doing.

**HEALTH SCIENCES CENTER BUDGET OVERVIEW (Action Item)**

Paul Roth introduced the HSC FY19 budget and referred to slides that were included in the eBook. **[Exhibit C]**

Dr. Roth began by providing context with the HSC vision, mission, values and goals (slide 3). The mission is three-fold, academics, research, and patient care. The values essentially define the professionalism goals for each of the faculty. Regent Brasher inquired when developing all of these, if this is done in a public forum for public and constituent input, and as well, there is an annual review of needs and interests of the community. Dr. Roth responded these vision, mission and values have been in place for well over a decade. They were developed through a series of meetings, Town Halls, meetings with leadership and external stakeholder consultations. The goals are fairly general in nature, but the tasks and metrics change annually based on constituent feedback. Regent Brasher requested more discussion in the future to better understand the processes.

Dr. Roth mentioned UNM HSC is well-known nationally for its community engagement and has received a number of awards. He referred to a map of statewide areas of engagement in areas either education, patient care, community research or telehealth sites. Dr. Roth next discussed assumptions around which the budget is built, divided in two major categories of issues and challenges, one in academics, the other in the clinical area. He compared or updated the FY18 issues and challenges that were presented last year to new or updated FY19 issues and challenges (slides 5 & 6). On the academic side, Dr. Roth gave updates on the search for 2 dean and the growth of the College of Population Health. The new TREE Center in the College of Population Health stands for trans-disciplinary research equity and engagement. This is a program funded to advance behavioral health in small, rural, Hispanic and Native American communities. UNM West, now referred to as UNM Health West, is almost ready for complete occupancy with about 5 programs that will be placed there, including the TREE program. Regarding increasing the healthcare workforce in NM, the nursing shortage is still a large and growing challenge. Primary care physicians and advance practice providers also challenge areas. Ideally the approach would be to expand class-size, but more state support would be needed, so the effort has been to maximize current spaces and go to more online courses to allow greater access.

Faculty compensation continues to be a problem. A very large percentage of faculty are compensated below the 25<sup>th</sup> percentile, nationally. Combining this with facility constraints, the work environment, particularly on the clinical side, is getting more stressful, leading to more physician and faculty dissatisfaction. The hope is to proceed with a 1% faculty compensation increase for FY19.

On the clinical side, Dr. Roth discussed value-based healthcare, strategic partnerships, the revenue cycle operation and the modern medical facility (slides 6). Value-based healthcare has evolved to be not only based on the amount of work, but mandating now lower costs and including quality metrics. Third party contract negotiations are demanding more and more that the HSE carry the risk in all three of the aforementioned areas. Dr. Roth talked about recent partnership strategies and collaborations, increasing throughput and growth in outpatient areas, as well as enacting billing efficiencies. Despite a number of initiatives to improve access to UNM Hospital, UNM has still had to turn away about 1,000 patients who needed services in the last year due to lack of beds.

Regent Brasher inquired if the HSC has reviewed the flow of elective surgeries as part of the occupancy review. Dr. Roth responded HSC has performed an intensive review with an outside consultant. The HSC has implemented some recommendations, including establishment of a surgical services oversight committee.

Regent Brasher inquired about the purpose of UNMH radio advertisements considering the capacity issues. Dr. Roth explained that despite occupancy, ads were a marketing strategy for the UNM healthcare system to better inform the community about its services and how it benefits the community, as they are dependent on the community to vote for a mil levy. HSC leadership is reviewing its initial request for a modern medical facility due to revenue projection instabilities. The current plan is to explore with architects opportunities for less costly options to the first phase of a complete

replacement facility and to look at reductions to the level of debt financing. There remains the need for more beds, more than ever.

Regent Clifford inquired about sources of pressure on the revenue forecast and the status of the state budget in lieu of increasing revenues. Dr. Roth explained pressures derive from federal budgeting, state budgeting, and insurance mandate changes. State Medicaid reimbursements have increased, but discussion still exists about behavioral health reimbursements. For-profit MCOs are financially stressed and obligated to negotiate more aggressive contracts. Regent Clifford inquired if the State had reversed Medicaid reimbursement cuts made two years ago. Dr. Roth deferred to Dr. Richards' pending presentation.

Ava Lovell, presented the overall HSC budget and the academic enterprise financial assumptions and budget (Slides 7 to 16). The entire Health Sciences Center budget is depicted on a pie chart on slide 9. The academic unit is about one-third of the entire budget, at about \$666 million. This includes the compensation increase funding received from the State at a little over \$1 million. Ms. Lovell discussed the restricted and unrestricted expense side and state appropriation details (slide 13). Slide 14 shows current FY18 budget projection with a \$1.3 margin, and the FY19 budget margin is \$50K. Total FY19 expense budget for the UNM HSC is \$2.050 billion, a 1% increase from the original FY18 budget.

Michael Richards presented the health system financial portion of the budget (slides 17-22). The health system is the clinical platform where patient care is delivered. It includes UNM Hospital, Sandoval Regional Medical Center, and the UNM Medical Group. Dr. Richards talked about major issues, one being overall reduction in reimbursements per unit of care. The FY19 proposed overall budget for the health system is a balanced budget at \$1.38 billion, a 2% increase in total revenues.

Regent Clifford inquired about the vertical integration of healthcare insurance providers into the landscape of provider networks nationally. Dr. Richards noted some significant changes occurring in the local market. Presbyterian holds approximately 40% of the market and has a fully integrated delivery system. He noted their partnership with UNM, and stated UNM provides a significant amount of tertiary quaternary care for them. Presbyterian remains very competitive in their value-based arrangement with Medicaid, and as their product grows, UNM's partnership will mean more access to Medicaid patients. Another market change was the acquisition of DaVita by Optum, which was purchased by United Healthcare, and a new entrant into the New Mexico managed care market, Centene Healthcare, marketed under Western Skies, which uses the model of provider-led networks. Regent Clifford inquired if this has affected the revenue model. There are changes significantly underway in Medicaid, which is 45% of UNM's total patient volume. Dr. Richards noted UNM expects value-based contracts.

Dr. Richards referenced Regent Brasher's question about the general surgery program. The platform is being utilized completely, but because UNM handles a high volume of acute care in its designation as a trauma center, UNM has twice as many add-on surgeries as other institutions, making it difficult to perform scheduled surgeries. UNMH does move some to SMRC.

Regent Clifford inquired where UNM is in the mil levy cycle. Dr. Roth noted that the HSC is in preliminary discussion with the City of Rio Rancho and the Sandoval County Commission to explore the likelihood of support. Regent Quillen inquired about value-based care rather than volume-driven revenues. UNM anticipates a mixed system in the upcoming year; RVUs track total productivity, but contracts will have rate adjustments based on patient experience, quality, and total cost of care. If UNM can execute on those metrics, reimbursement levels will rise. UNM anticipates a mixed system until reimbursement models are completely risked based.

Regent Clifford inquired about growth rates and the anticipated rate of medical inflation. UNM anticipates a 2% total growth in revenues associated with a 2% total growth in expenses, based on a 3% total growth in clinical volumes. Reimbursement levels are not growing at the same rate as volumes. UNM also anticipates 3% medical inflation in supplies at UNMH and 2% at SRMC. The HSC continues to explore efficiencies, maximizing the revenue cycle, and now focusing on the supply train and contracts for services.

Regent Hosmer requested information on the increase in uncompensated patient care over the last two years. Dr. Richards explained the concern that Medicaid enrollment has decreased in tandem with a 1-2% increase of uncompensated care, requiring close monitoring. UNM anticipates access to more Medicaid patients, but the loss of the individual mandate and an increase in the use of high-deductible health plans is cause for concern. Other disruptions occurring in the market include significant changes to the health insurance exchange.

Regent Brasher inquired about the general unrestricted fund and if it could be used for capital projects and if it constitutes a reserve. Ms. Lovell responded it could be used for capital projects, and is not considered a reserve, including current year

projected revenues only (no reserves). Regent Clifford inquired about operating and capital reserves. Ms. Lovell will forward materials to the Regents regarding reserves.

Regent Brasher inquired about substance abuse and mental health issues that have been raised in the media, and how the HSC proposed budget addresses those needs. Dr. Roth noted he is aware of county task forces for behavioral health, specifically substance abuse, and that the Chamber of Commerce initiated activities in response to community concerns about the opioid epidemic. UNM HSC is working closely with the county on following through with a number of requested programs, which are built into the UNMH budget. One is the expansion of the Pathways program, another is to work with MDC residents who will be released. A number of initiatives, surfaced by the County through their behavioral health task forces, will be implemented in the FY19 budget. Regent Brasher noted that he envisions a bit more robust effort on the part of UNMH. He also noted that his personal experience with UNMH is that the staff is very good with patients.

There being no other discussion, Regent Doughty asked for a motion to approve the HSC budget overview.

**The motion to approve the UNM HSC FY19 Budget Overview passed unanimously (1<sup>st</sup> Hosmer; 2<sup>nd</sup> Quillen).**

#### ATHLETICS – FY18 AND FY19 BUDGET OVERVIEW

Eddie Nuñez opened stating UNM must focus on the totality of athletics' contributions, fiscal responsibility moving forward, and a changing narrative as the department is rebuilt.

Rob Robinson reiterated that honesty, transparency and accountability guide his every action and decision. He reviewed the P21 Exhibit. **[Exhibit D]**

Regarding the discrepancy between revenues projected and actual for the Mountain West Conference, (\$3 million actual vs. \$4.5 million projected), Regent Clifford inquired how the formula criteria changed and how revenues were allocated. Mr. Nuñez responded that over the last year, the structure of how money is distributed has changed, all teams (except Boise) receive the same amount, not based on winning or losing or televised games. Boise is allocated money due to the agreement they made coming into the league and associated expenses. He noted the Conference office is working diligently on a television package to offset some of the changes. Bowl games result in a small amount more in revenue, but not substantial enough to make up the difference between UNM's projection and the new distribution amount. Regent Clifford inquired if the source of funding was volatile, as in the case of television revenue, and if these will be factored into the FY19 budget for Athletics, to which Director Nuñez confirmed.

Mr. Robinson presented information on ticket sales and fundraising. President Doughty halted the presentation and asked to speak with Brad Hutchins, referencing previous discussions and Hutchins' representation of Athletics at the FY18 budget summit. He expressed frustration that the FY18 actuals showed a \$3.5 million deficit and were so far unaligned with projected expenses and revenues. President Doughty expressed that he felt misled and that false promises had been made, despite reassurances at the time that had led him to be supportive of the Athletics FY18 budget. He inquired whether the projections had been inflated in order to present a balanced budget. Mr. Hutchins recalled that Regent Doughty had indeed asked pointed questions about budgeting of ticket sales during the FY18 summit, but that Athletics had been very optimistic due to the previous season's performances by men's football and basketball. President Doughty inquired if Athletics conducts research and analysis of ticket sales and what kind of marketing is performed. Mr. Hutchins replied that historical analysis of several previous years' revenue takes place. Unfortunately, losses hurt ticket sales. Mr. Hutchins accepted responsibility for the discrepancy as a leader.

President Doughty motioned to table the discussion on dealing with the athletics past deficit until the Regents can review a financially sound, transparent and balanced budget for FY19. Regent Clifford seconded the motion.

There was discussion. Regent Hosmer supported the motion to table and suggested exploration of options for handling the deficit, such as forgiveness, deferment and development of a repayment schedule, establishment of a matching grant, etc. and requested alternatives be presented to the Regents. He noted that a number of institutions of higher education do not assume that the Athletic Department is a completely self-supporting department and that the Regents could reasonably make a strategic decision to supplement by some amount the annual budget of the Athletic Department, which is what the Regents would be doing by forgiving the deficit and foregoing roughly \$250K income per year in perpetuity from the \$5.6 million.

President Doughty supported Regent Hosmer's request and asked that it be added to the motion.

Regent Lee noted she had also been cautiously optimistic regarding the FY18 budget and noted the issues were not due solely to football and basketball losses. She inquired what Mr. Robinson has discovered as far as projections of revenue as he examines Athletics budgeting. Mr. Robinson noted that there are different reporting methodologies he will employ for

better transparency. He is continuing to assess past and current fiscal situations to build the FY19 budget. Regent Lee noted her agreement with Regent Hosmer regarding alternatives in handling the deficit.

Regent Quillen noted her gratitude for the P21 report presentation and requested the FY19 budget presentation for Athletics also include information on key performance indicators, and Mr. Robinson agreed.

Regent Clifford requested an explanation for the 5% increase in expenses. He requested to review detailed expenditure information. Mr. Robinson noted that some expenses were deliberately under-budgeted with the knowledge that they would be offset with fundraising dollars from coaches' enhancement accounts, using grant and aid as an example. \$5 million was budgeted, but the true cost is \$5.8 million due to the cost of attendance. Regent Clifford recalled cost of attendance had been discussed at the FY18 summit. Mr. Nuñez clarified the higher level class credit hour tuition increase was not budgeted. Regent Clifford also inquired about the travel budget increase of 15%. Mr. Robinson noted travel and recruiting line items are offset with sport enhancement accounts and were under-budgeted. Regent Clifford inquired about restricted funds in enhancement accounts. Mr. Robinson clarified that the \$300K included on the P21 are unrestricted. Mr. Nuñez noted funds for post-season travel were not budgeted.

Regent Clifford requested that cost-containment strategies be included with FY19 materials. Mr. Nuñez agreed and stated that Athletics was looking at the overall picture of cost containment options.

Regent Clifford reiterated that coaches' salaries and all expenses need inclusion in the analysis, with peer comparisons. President Doughty called for a vote on the motion to table discussion.

**The motion to table the discussion on dealing with the athletics past deficit until the Regents can review a financially sound, transparent and balanced budget for FY19 and also presented options for handling the deficit, passed with a unanimous vote (1<sup>st</sup> Doughty; 2<sup>nd</sup> Clifford).**

Director Nuñez introduced Larry Chavez and Sherman McCorkle who wanted to speak about UNM Athletics budget and moving forward. Regent Doughty welcomed Mr. Chavez and thanked him for his time and the generous donations he has made to the University.

Larry Chavez, UNM alumnus, founder and CEO of Dreamstyle Remodeling, has also served on a number of boards, national and local, spoke about future considerations and how marketing is critical for a business to be successful and prosper. UNM Athletics is a very important part of the marketing for UNM. Mr. Chavez spoke about the importance of Lobo Athletics in his childhood, starting at a Lobo basketball game, and how it forged the desire to attend UNM for college. He attended Anderson School of Management. It all started by a burning desire to be a Lobo. Mr. Chavez' company recently made a \$10 million commitment to UNM, \$9 million to athletics, and \$1 million to be divided between UNM Children's Hospital, the Anderson School, and Popejoy Hall. It is Mr. Chavez' belief that UNM athletics is a key marketing element to UNM's image and visibility, and it is very important to the University, to the community and to our future.

Sherman McCorkle, UNM alumnus, native New Mexican and businessman in NM for 50 years, and long-time UNM supporter, referred to the quote, culture eats strategy for breakfast. The positive is the cultural alignment that is happening, a coming together of cultures, of athletics, academia, administration and the board of Regents of the University. He expressed disappointed when we talk about athletics and we don't talk about the differences in athletics. For example, Athletics frequently has to raise funds to pay for its own building. When we talk about the success of a program, the Athletics Department is not a failure. The word Lobo has meaning in other parts of the country, people are aware of the University of New Mexico. Athletics is indeed the front door at every University. Within the MWC, Lobo Athletics pays about 75% of its own way, and that's the highest percentage of any school in the MW conference. We have to look at the value of the outreach of Lobo Athletics. One game can create value for a university for years out. Mr. McCorkle encouraged the continuation of greater cultural alignment, beginning with understanding, to understand the culture of academics, the culture of athletics, understand what the management needs, the Regents need, what the editorials need, then everyone will be more successful.

Regent Doughty thanked Mr. McCorkle for his comments.

#### MAIN CAMPUS BUDGET PRESENTATIONS [Exhibit E]

Craig White presented recommendations from the Budget Leadership Team (BLT). The BLT is comprised of the provost, deans, faculty, students, staff and administrators. This proposal was adopted unanimously by the BLT and presented to President Stokes. The overarching focus of the BLT was to ensure a value proposition for students and families, with the guiding principle that the value of a degree exceeds the cost of attending. All recommendations enhance, support and protect that value. The BLT maintained that student needs and the academic mission are UNM's top priorities, and they protected spending that drives student outcomes, focusing on four pillars: 1) investment in students, including safety and

the overall Lobo experience; 2) investment in the best faculty; 3) investment in staff; and 4) a balanced budget. New initiatives will differentiate UNM from a value perspective.

Regent Clifford inquired about slide 5 as a subset of the total budget increase. Dean White replied that it is a subset, focusing on initiatives. He then presented slides 5-9, which detail the breakdown of costs related to the recommendations. Dean White concluded his portion of the presentation emphasizing the BLT proposal strategically focuses on providing a value proposition for families and advancing UNM's overall academic mission to position UNM as the university all New Mexicans deserve.

Regent Clifford requested that the presentation be truncated due to time constraints, and asked Ms. Allen to present the summary. It was agreed the proposed tuition structure and compensation would be presented.

Terry Babbitt presented slides 12-14 on behalf of the BLT Tuition & Fee Subcommittee, explaining the breakdown of the proposed tuition increase, the impacted sectors of students, the enrollment strategy, and how decisions were made using econometric analysis. Dr. Babbitt discussed last year's implementation of the premium which made a higher price at the upper division course level. This was successful, because that is the highest value in the value proposition. Tuition at the lower division courses was kept flat last year. That is a price diversification strategy that really matters. In the first two years, UNM has 30% attrition, the 3rd year has 11%, the 4th year has a 5% attrition rate. The most vulnerable students are the ones in the lower division and that's what this price structure supports. This year's model is a continuation of that structure that allows the least increases for lower division, where we have the most competition and volatility, in the core classes, and the strongest in student success and continuation is at the upper division, and that's where the premium comes in. What is proposed today is a split of a base tuition increase (2.5%) at a mitigated level, and then a premium increase at the upper division (\$7/credit-hr).

Dr. Babbitt discussed enrollment planning, part of which looks at price sensitivities which involve econometric evaluations and utilizing statistical techniques. Enrollment management looks at those and applies the best methods available. In this particular year, there was study of meta-analysis of over 45 studies that mostly utilized price elasticity. There were conclusions, externally and internally. Externally, studies showed the mean price elasticity for tuition increases is very inelastic, it's about zero, so demand doesn't change with price increases. At our University, the biggest risk to that is our heterogeneity, we have a lot of different segments, and not one is impacted the same as the other. Dr. Babbitt outlined some of the segments, all of the elasticities are under 1, depicting not much change in demand with price increases. However, there is still heterogeneity, vulnerabilities and volatilities. Long-term impact is often understated. There can be other factors impacting the variables, but the analysis supported this type of tuition structure.

Regent Clifford inquired about the impact of the 30-40% lottery scholarship decrease on enrollment. Dr. Babbitt responded the biggest impact was on new students, resulting in a loss of about 200 in the freshman class; 100 continuing students did not come back as well.

Regent Hosmer requested a walk-through of Slide 21 to better understand the net impact on students. Dr. Babbitt explained the net cost and distribution, with a breakdown of increases for three segments: 1) lower income students, who will pay close to \$0; 2) middle income students, who will pay about \$1,400 net after gift aid; and 3) the most affluent students, who will pay a net of about \$2400.

The proposed undergraduate tuition model (slide 12): A 2.5% tuition increase across the board. The upper division premium will go from \$18/cr-hr to \$25/cr-hr for the upper division courses. The fee increase is proposed at a 2.39% increase.

The proposed graduate tuition model (slide 13): Last year, the \$18/cr-hr premium that was added did not apply for colleges and departments that already charge a differential tuition. This year's proposal would add 2.5% base tuition increase and increase the premium from \$18 to \$25 (not applying to colleges and departments that already charge a differential tuition). There will not be a change to the tuition for those schools that charge a differential except for the 2.5% base increase.

Dr. Babbitt discussed revenue projections. The estimated revenue assumes no enrollment declines (slide 14). However, it is prudent to plan for an expected decline of 2.5%, so the contingency built in is in the spending of \$1.76 instead of the full \$4.4 million. Dr. Babbitt talked about the volatile market.

Regent Clifford expressed appreciation for the complex model and detailed information contained. He agreed that lower income students should pay less, but felt the value proposition analysis, which the board has not seen yet, should be included in the discussion of reallocation. He requested the board be briefed in full on the entire structure when more time is afforded. Dr. Babbitt concurred and added the biggest risks to the value proposition when evaluating



differentiating prices for student populations is maintaining and increasing student success rates. He noted also that campus safety and the ability to differentiate lower division and core classes were great risks to the value proposition as well.

#### Compensation and Benefits

Dorothy Anderson introduced the compensation proposal that was adopted by the BLT for the FY19 faculty and staff increases (slide 11). The State Legislature approved a 2% funding for compensation increases. This news was well-received because increases have not been received since FY15. The 2% allocation from the State funds a little less than a 1% increase across all employees, with funding from the State is \$2.4 million, leaving an unfunded amount of \$2.8 million. The BLT looked at funding only a 1% increase which would leave an unfunded amount of only \$178K and decided would be a better approach for the University. The recommendation is a 1% for non-probationary employees that are performing satisfactorily, with an additional 1-2% for employees who are performing very well, based on performance reviews. Those extra increases would have to be funded by the department.

Regent Clifford inquired about the departmental funding for the extra compensation over 1%. Ms. Anderson responded the departments may be able to free up recurring dollars due to such things as reorganizations and efficiencies. Regent Clifford requested a report on the distribution of compensation increases by department. Ms. Anderson said that information would probably be available by August or September and clarified there are bargaining units at UNM and those allocations would be negotiated and would not follow this criteria.

#### Comments

Pamela Pyle spoke about the BLT's collaborative work. The faculty, staff, administration, and students on the BLT were unanimous on their support of plan that was presented today. Each group sacrificed something for the greater good of the University. This not only represents the completion of a task, but what is believed to be the best way forward for the University. When looking at the impact of the proposed tuition and fee increases, the high-end impact is equivalent to the cost of a reputable textbook, while the low-end impact protects the most vulnerable groups, the first years' students. This reflects our values in securing the academic mission, caring for students' needs and demonstrating fiduciary responsibility. Ms. Pyle supported the tabling of the athletic discussion for today. A thoughtful, considered process that includes input from many voices. It is recognized the Regents' endowment fund is utilized under the discretion of the regents; however, since some of the money in the endowment goes to pay for student scholarships, would Regents' decision to utilize endowment funds to plug the athletics deficit have an effect on the distribution of student aid funds? Would tapping into the principal reduce annual endowment earnings and is this the best solution, financially? Ms. Pyle encouraged the Regents' to remember the message the University sends about its priorities.

Rob Burford, as representative of Staff Council, fully endorses the BLT recommendations, particularly those related to safety and the 1% salary increase. Some employees will see only a \$200-300 per month increase that will be offset to a large degree by taxes and health premium increases. Mr. Burford urged looking at other sources of revenues besides tuition increases. Out of UNM's 22 peer institutions, average tuition is \$5,200 compared to UNM's \$3,573 this past Fall 2017. Mr. Burford encouraged discussions to include staff and not only faculty, and that staff not be an afterthought.

Noah Brooks thanked the Regents for hearing the students' comments at the beginning of the meeting. Students worked tirelessly on the Student Fee Review Board and tuition process, working countless hours. Mr. Brooks said he never imagined he would support a tuition increase. He was adamantly opposed to the tuition increase last year and opposed all throughout this year, but two things stood out, the monies going to safety and student financial aid.

Alaa Elmaoued thanked the Regents and administration. This was a hard position, there will always be criticism, but the hard work is appreciated. Mr. Elmaoued echoed students' support of the tuition proposal. He said he may have reservations in the back of his head, but he knows students are receiving a world-class education, and with this there is the need to mimic what other universities are doing. His two sisters, both alumna, one went on to Baylor, the other to Harvard, both are planning on coming back to UNM to work. Mr. Elmaoued recently found out he will be going to Chicago to finish up his medical training, but he gave assurance he too will come back to UNM. Loyalty is not just coming from the community and from athletics, it is also coming from the students who love this university, and he encouraged to continue to stress financial responsibility, accountability and very mindful spending. So with the tuition increase,

#### SFRB Recommendation

Regent Doughty said the Regents had read through the Student Fee Review Board recommendation. It is imbedded in the budget that has been presented, and unless there were any questions, he would ask Dr. Stokes to come up and present her request. (This item was not presented. [Exhibit F])

Request for Approval of Tuition

President Stokes requested, on behalf of the faculty, staff and students of the University, the Board's approval of the tuition and fee rates as well as the compensation package recommended for the FY19 budget.

Regent Brasher expressed that if the budget is approved, the adequacy of the \$450K allocated to student safety. This is a huge campus, and so this is of great concern. The Board ought to hear more about the student safety issues. President Stokes agreed and said it is a high priority for her to look further into this issue.

**The motion to approve the proposed overall tuition increase of 2.5%, a \$7 premium increase on upper division and graduate credit hours, a 2.39% fee increase, and 1% compensation increase for FY19 passed by a vote of 6-1-0; Regents Adcock, Clifford, Doughty, Quillen, Hosmer and Lee voted for; Regent Brasher voted against (1<sup>st</sup> Hosmer; 2<sup>nd</sup> Adcock).**

ADJOURN

**The motion to adjourn the meeting passed unanimously. (1<sup>st</sup> Lee; 2<sup>nd</sup> Adcock).**

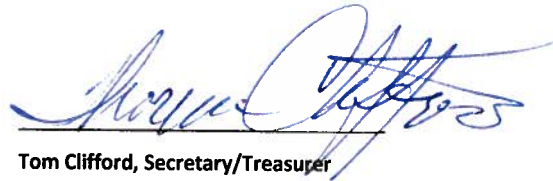
**The meeting adjourned at 1:07 PM.**

**Approved:**

**Attest:**



**Robert M. Doughty III, President**



**Tom Clifford, Secretary/Treasurer**

MSC 01 1300  
Albuquerque, NM 87131-0001  
Phone: (505) 277-5111  
FAX: (505) 277-7662

**Date:** March 15, 2018  
**TO:** Thomas Clifford, Chairman, Audit and Compliance Committee  
**FROM:** Elizabeth Metzger, CPA – University Controller  
**RE:** FY18 Renewal of Annual Financial Statements Audit Contract

The following information is provided for the Committee's approval related to the annual financial statement audit for the fiscal year ended June 30, 2018, pending final approval by the State Auditor.

During FY17, UNM issued a Request for Proposal (RFP) for the FY17, FY18, and FY19 external financial statements audit. Proposals and evaluation criteria were distributed to the 6-member evaluation committee on February 27, 2017. The Committee consisted of the University Controller, Executive Officer of the Finance and Administration for the HSC, Controller for the UNM Foundation, Finance Director for the University Hospital, Associate Controller for Procurement Service, and the University Acting Provost. In accordance with appropriate selection criteria established for the procurements, the written proposals were evaluated for responsiveness to mandatory requirements.

Based on the evaluation from the committee members and in-person presentations from the responders, the selection committee recommended awarding the contract to Moss Adams with a subcontract to KPMG for audit of the clinical areas. This was approved by the audit committee on April 13, 2017 and the Full Board of Regents on April 18, 2017.

The proposed cost for year 2 of the audit, FY18, is \$924,265 which includes all Component Units. For comparison purposes, the cost for the FY17 audit was \$940,965 after an amendment was executed to include three component units that the State Auditor was originally going to audit (Lobo Energy, The UNM Alumni Assoc., and the UNM Lobo Club.)

***(update:)***

***March 15, 2018:***

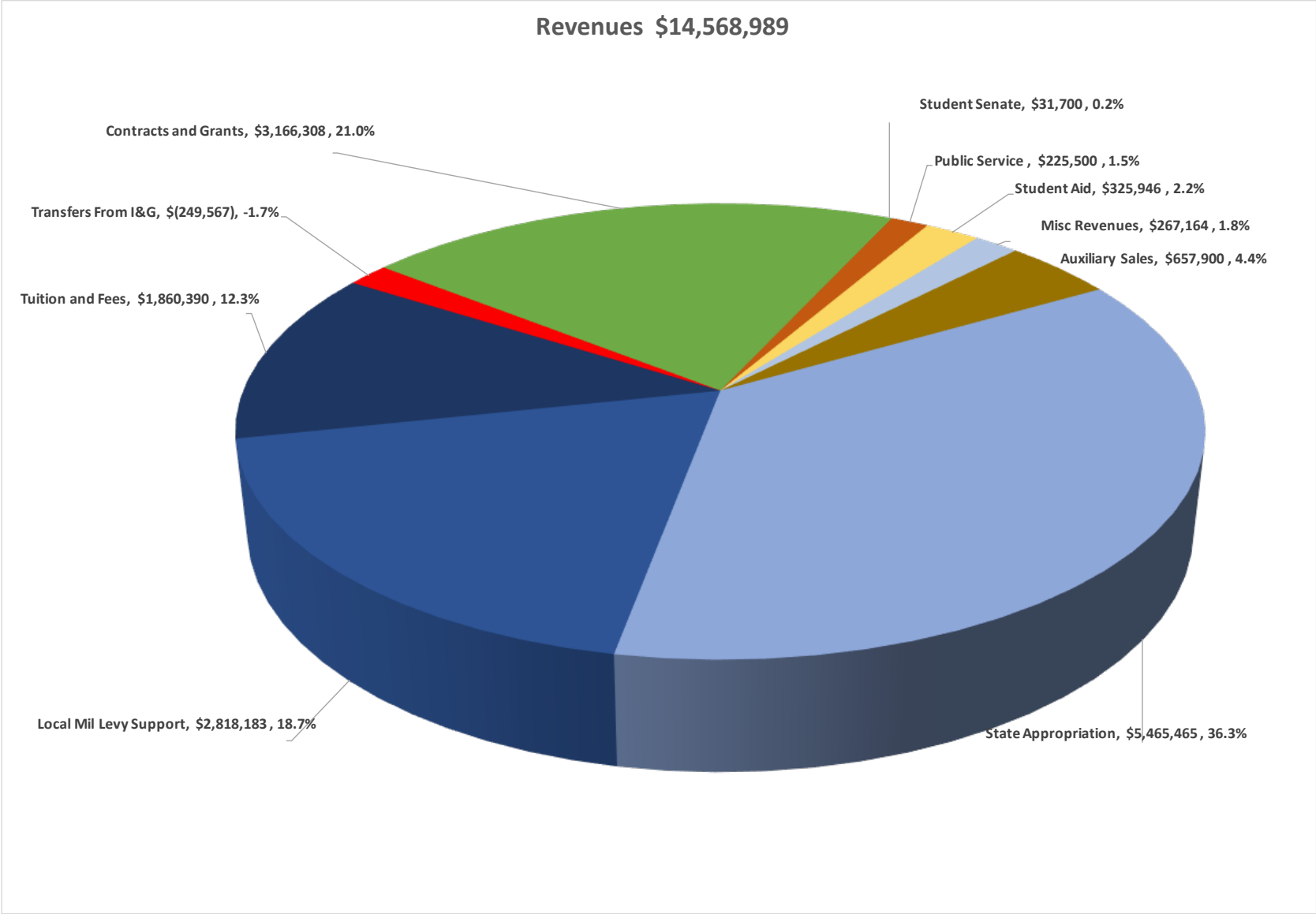
***Renewal was approved by the Audit Committee. Due to Familiarity Risk, (this can arise after a long association with a client), the approval was with the provision that KPMG will assign a new engagement partner.***

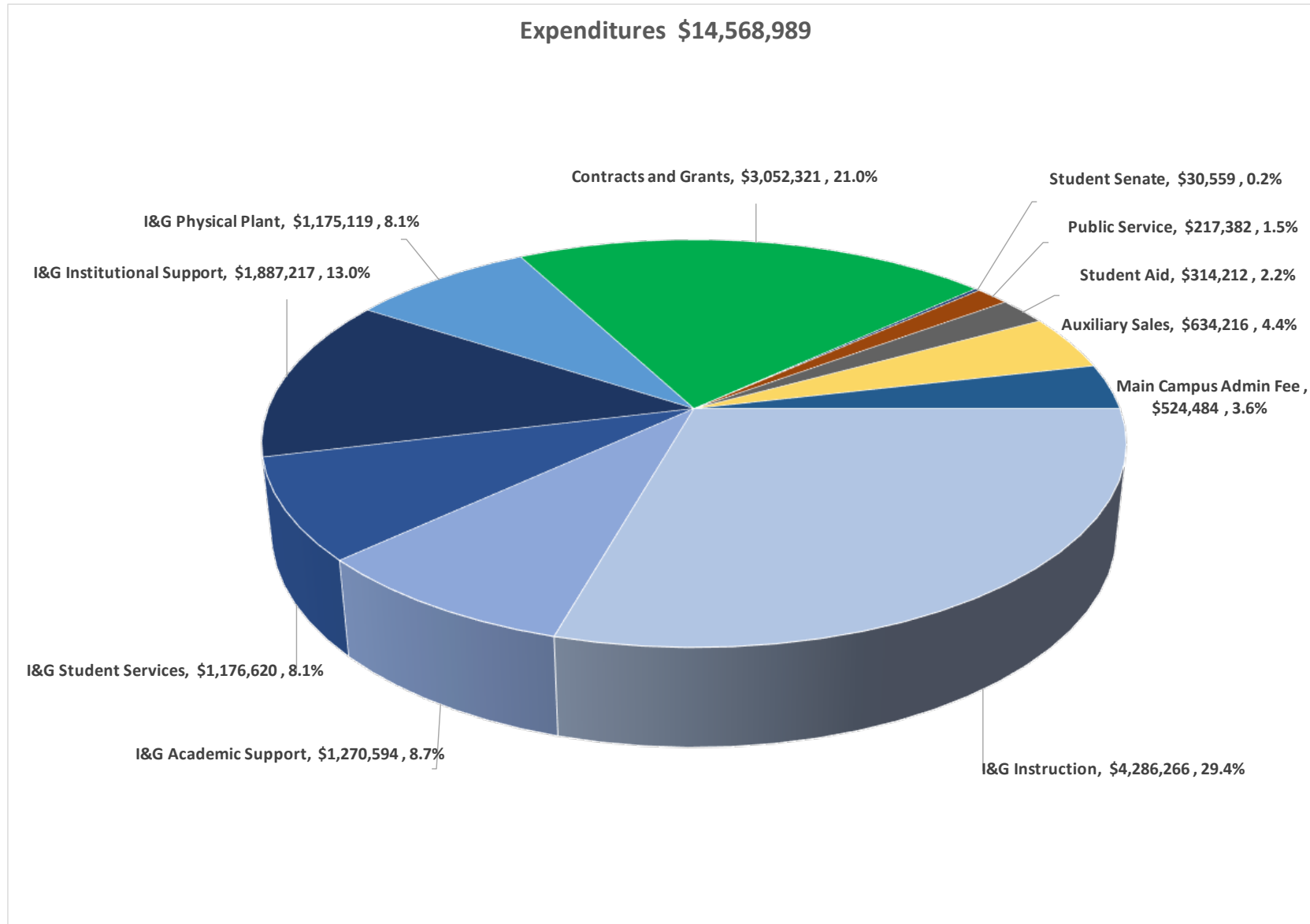
# EXHIBIT B



**Presentation To The UNM Board OF Regents**

**Fiscal Year 2018-2019 Operating Budget**







**Summary of Budget Changes  
Fiscal Year 2018-2019**

**UNM Valencia is Requesting Approval of the Fiscal Year 2018-19 Budget**

**Instruction and General Budget of \$10,161,636**

**No tuition Increase For 2018-2019**

**State Appropriations Increase By \$ 98,300 Through Strong Performance Within The Formula**

**Grant Funding Continues To Be Significant For The Campus - Instructional Support**

**Local GO Bonds Will Fund Numerous Projects Including Solar and Renovations**

**Dual Enrollment Continues To Be Very Strong For UNM Valencia**

## EXHIBIT B cont.

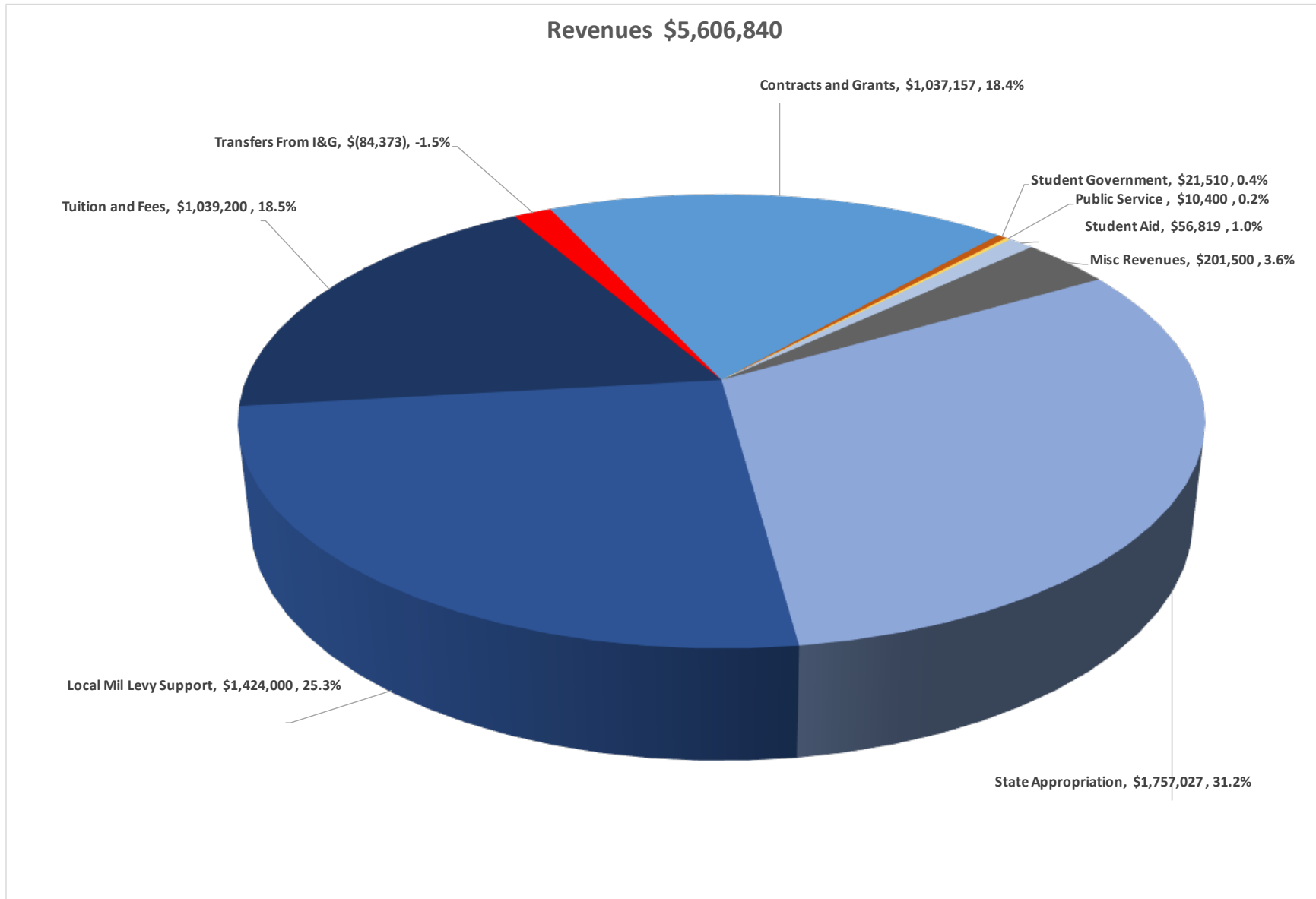


**Presentation To The UNM Board OF Regents**

**Fiscal Year 2018-2019 Operating Budget**

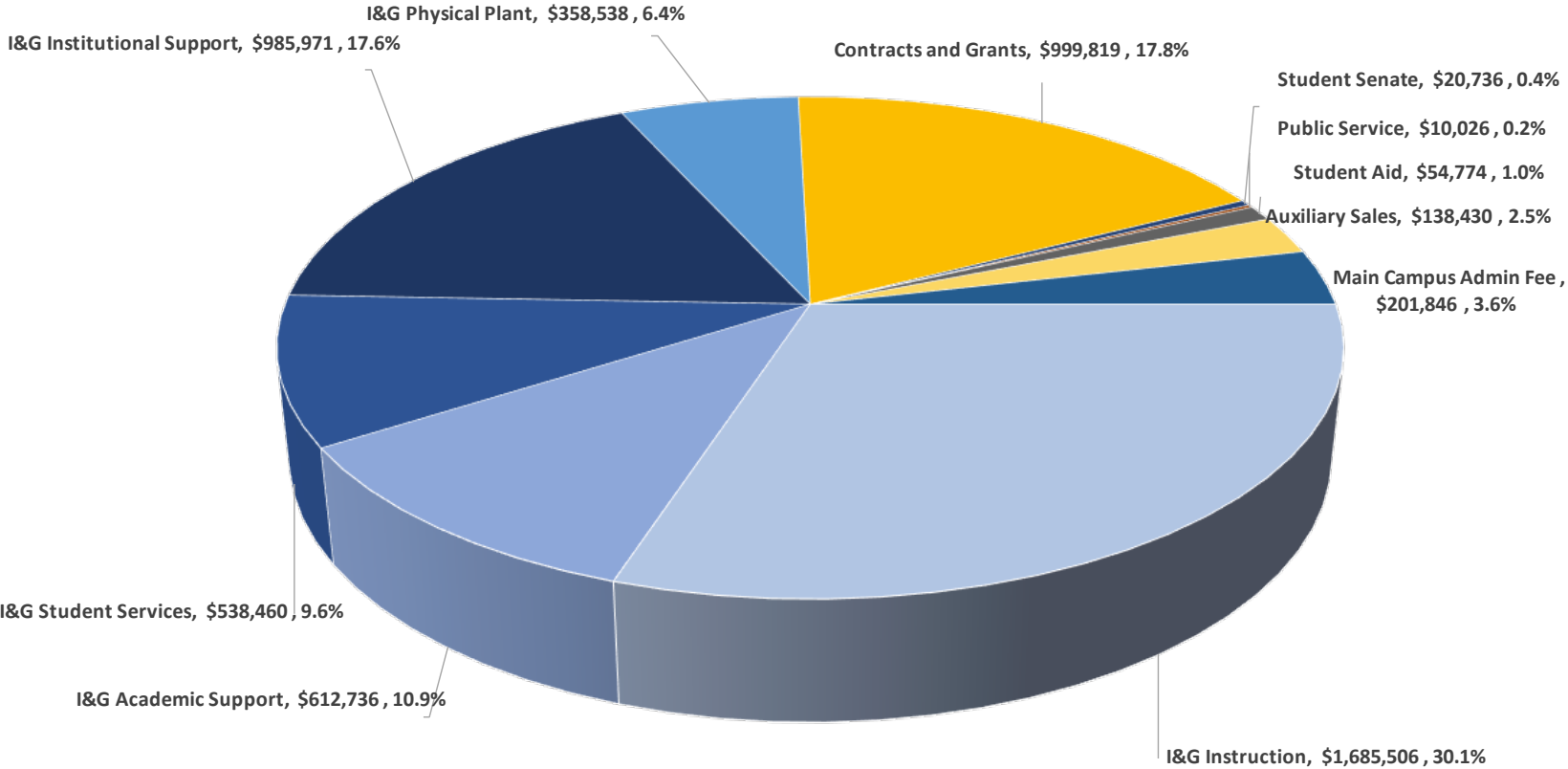


# EXHIBIT B cont.





Expenditures \$5,606,840





**Summary of Budget Changes  
Fiscal Year 2018-2019**

**UNM Los Alamos is Requesting Approval of the Fiscal Year 2018-19 Budget**

**Instruction and General Budget of \$4,337,354**

**No tuition Increase For 2018-2019**

**State Appropriations Increase by \$18,500 Through Improving Performance Within The Formula**

**Key Programs Focus on the Needs of LANL and the Surrounding Community**

**Local Mil Levy Passed in 2017 Indicates Strong Local Support and Provides Needed Funds**

**A New Department of Justice Grant Provides Additional Funding for our Campus Community**

**Dual Enrollment Continues To Be Very Strong For UNM Los Alamos**

EXHIBIT B cont.



**Presentation To The UNM Board OF Regents**

**Fiscal Year 2018-2019 Operating Budget**

# EXHIBIT B cont.

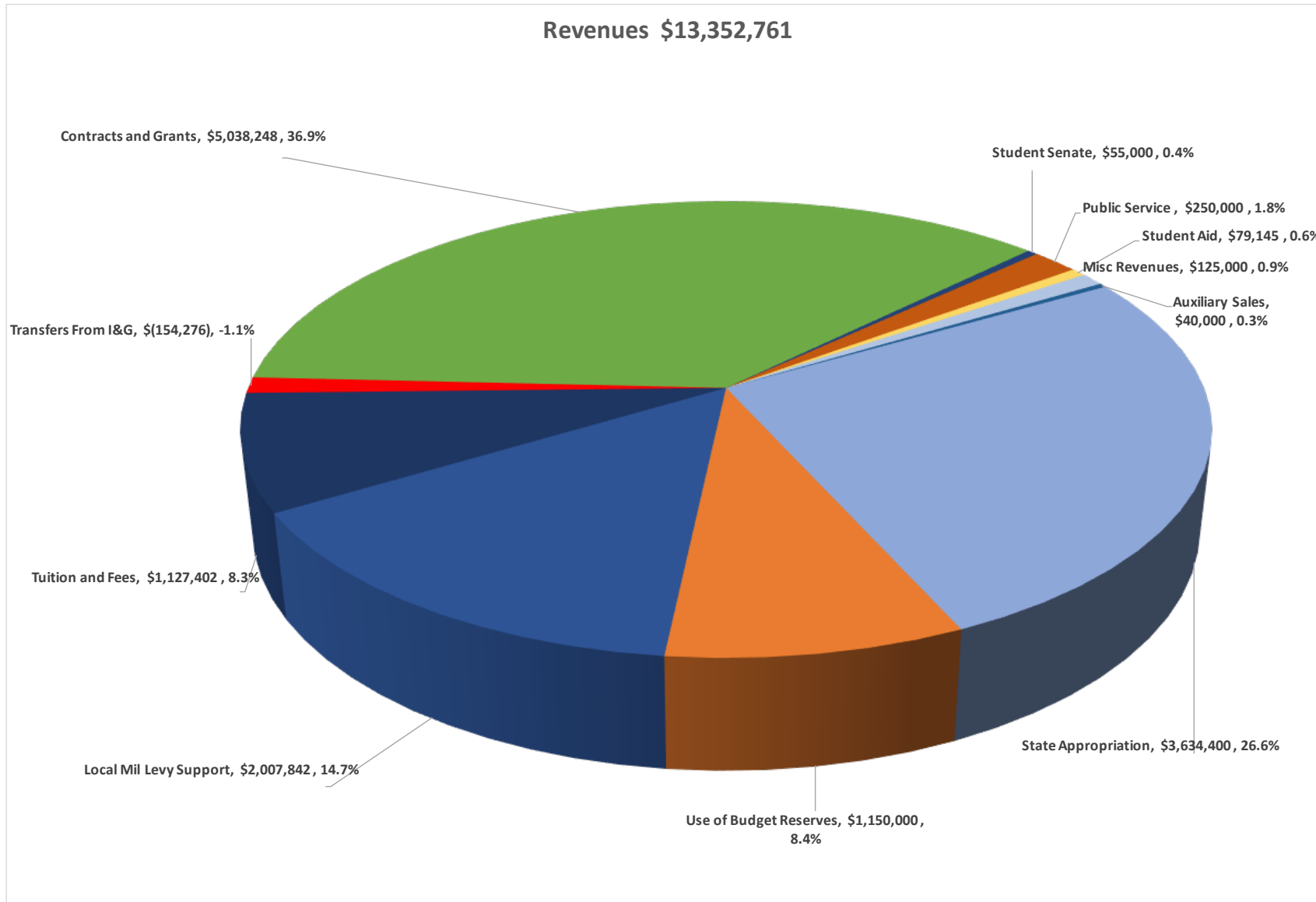
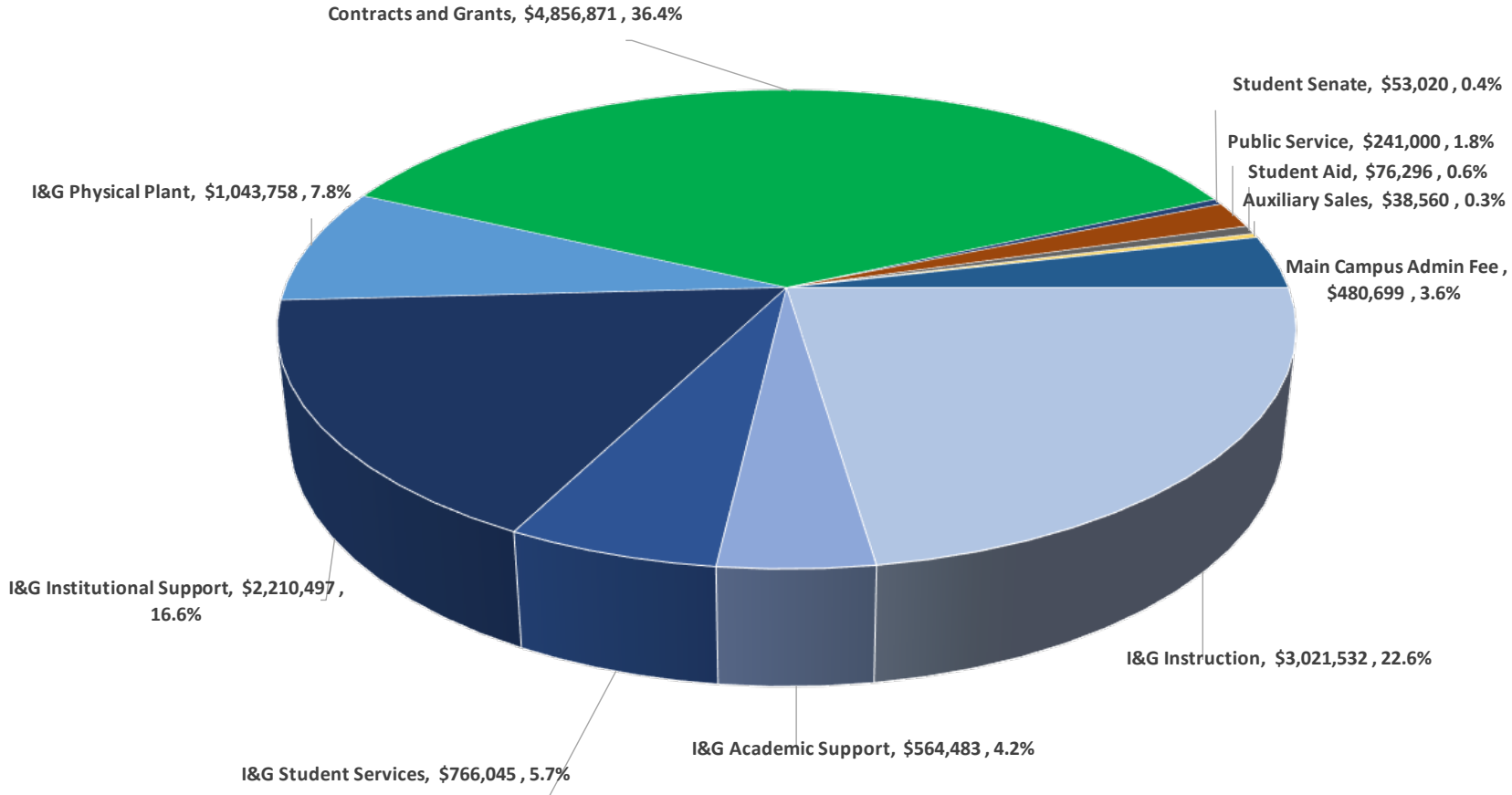


EXHIBIT B cont.



Expenditures \$13,352,761





**Summary of Budget Changes  
Fiscal Year 2018-2019**

**UNM Taos is Requesting Approval of the Fiscal Year 2018-19 Budget**

**Instruction and General Budget of \$7,890,368**

**No tuition Increase For 2018-2019**

**State Appropriations Increase By \$ 91,400 Through Strong Performance Within The Formula**

**Grant Funding Continues To Be Significant For The Campus - Instructional Support**

**Dual Enrollment Continues To Be Very Strong For UNM Taos**

EXHIBIT B cont.



**Presentation To The UNM Board OF Regents**

**Fiscal Year 2018-2019 Operating Budget**



EXHIBIT B cont.

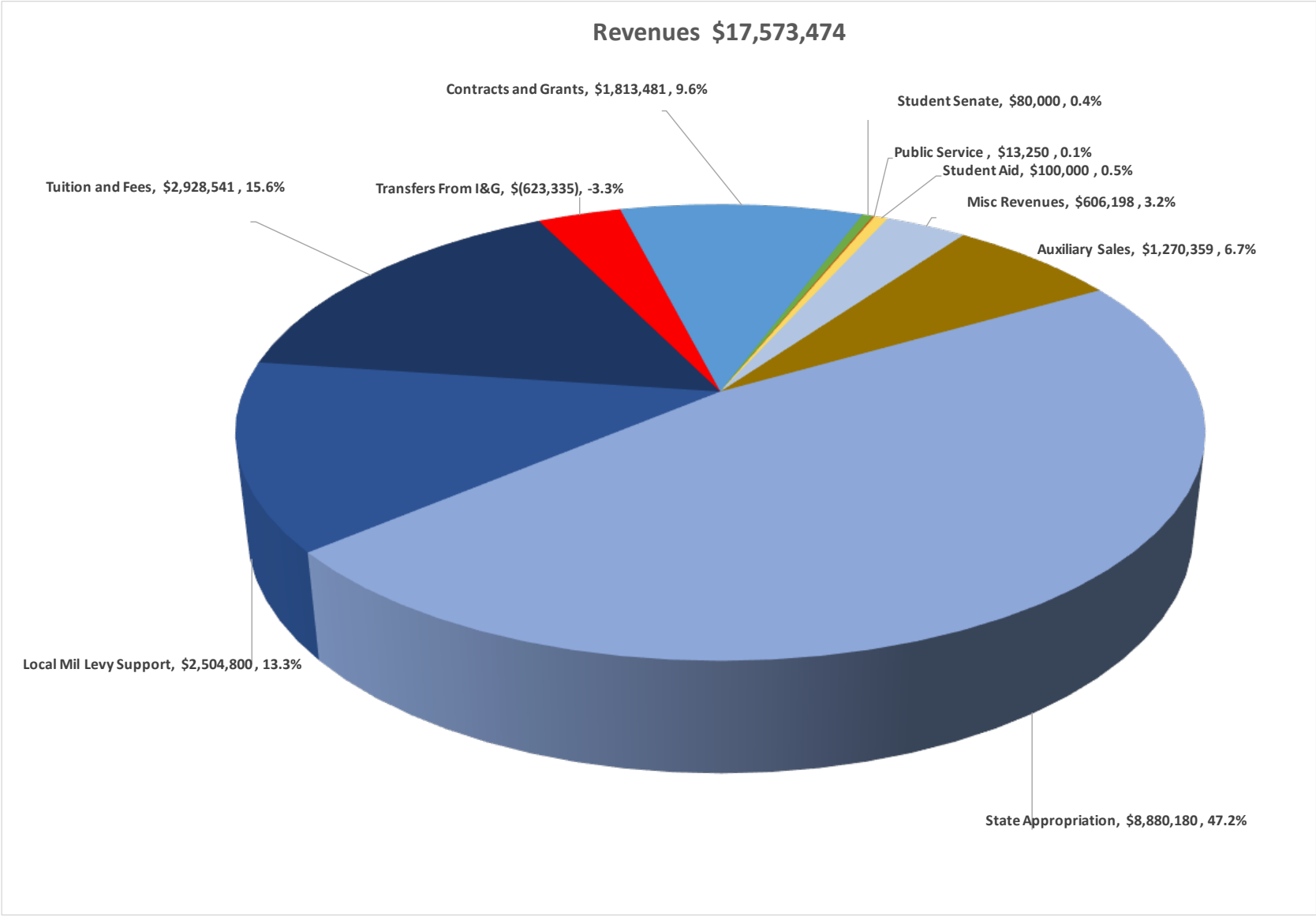
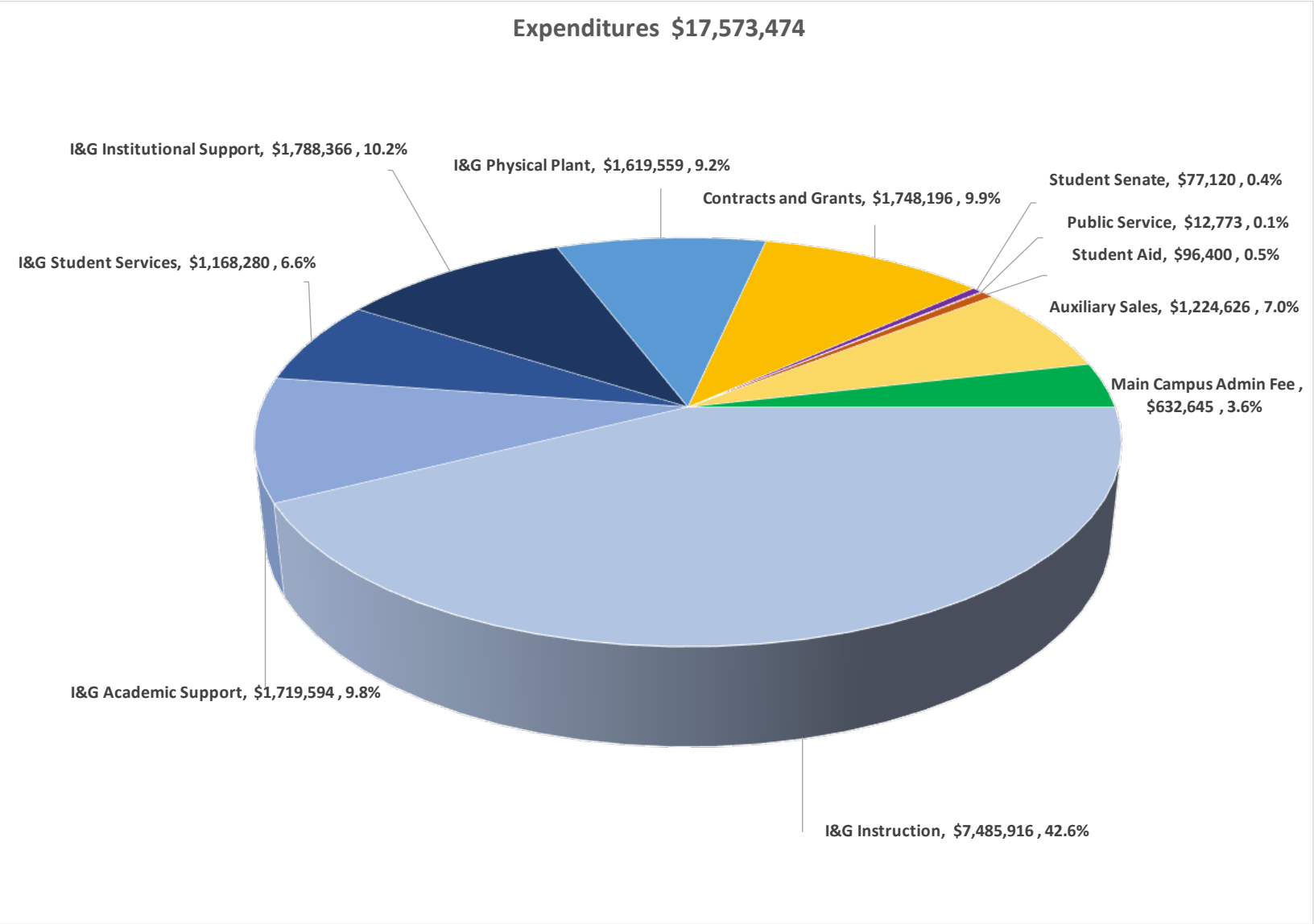


EXHIBIT B cont.





**Summary of Budget Changes  
Fiscal Year 2018-2019**

**UNM Gallup is Requesting Approval of the Fiscal Year 2018-19 Budget**

**Instruction and General Budget of \$14,296,384**

**No tuition Increase For 2018-2019**

**State Appropriations Decreases By \$ 48,500.**

**New Trio Upward Bound Funding To Be Significant For The Campus - Student Support**

**Institutional Program Review Underway**

**Dual Enrollment Through New Partnership With GMCS To Be Significant For UNM Gallup**

EXHIBIT C



THE UNIVERSITY OF  
NEW MEXICO®

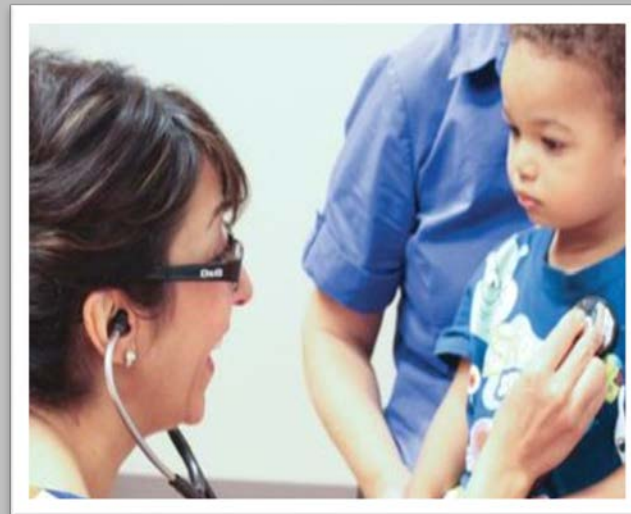
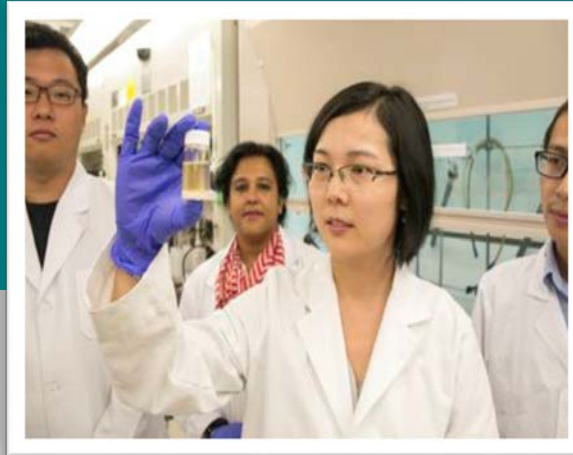
# Health Sciences

**FY 2019 Budget Summit**  
**Thursday March 22, 2018**

EXHIBIT C

# Introduction

**Paul B. Roth, MD, MS**  
**Chancellor**  
**UNM Health Sciences Center**





## VISION

THE UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER WILL WORK WITH COMMUNITY PARTNERS TO HELP NEW MEXICO MAKE MORE PROGRESS IN HEALTH AND HEALTH EQUITY THAN ANY OTHER STATE.



## MISSION

PROVIDE AN OPPORTUNITY FOR NEW MEXICANS TO OBTAIN AN EXCELLENT EDUCATION IN HEALTH SCIENCES.

ADVANCE HEALTH DISCOVERY AND INNOVATION IN THE MOST IMPORTANT AREAS OF HUMAN HEALTH.

ENSURE THAT ALL POPULATIONS IN NEW MEXICO HAVE ACCESS TO THE HIGHEST QUALITY HEALTH CARE.



## VALUES

EXCELLENCE IN EDUCATION, PATIENT CARE AND RESEARCH.

COMMITMENT TO SERVICE, QUALITY AND SAFETY.

INTEGRITY AND ACCOUNTABILITY.

RESPECT AND COMPASSION FOR ALL PEOPLE.

TEAMWORK AND COLLABORATION.

PROVIDING HOPE FOR THOSE WE SERVE.



## GOALS

IMPROVE PUBLIC HEALTH AND HEALTH CARE TO THOSE WE SERVE.

BUILD THE WORKFORCE OF NEW MEXICO BY PROVIDING A PREMIER EDUCATION.

TRANSLATE OUR RESEARCH AND DISCOVERIES INTO CLINICAL OR EDUCATIONAL PRACTICE.

PROVIDE THE ENVIRONMENT TO ENABLE OUR PEOPLE AND PROGRAMS TO DO THEIR BEST.

DELIVER HIGH QUALITY CLINICAL CARE AND SERVICE WHILE BEING ACCESSIBLE TO ALL NEW MEXICANS.

NURTURE AND EMBRACE AN ENVIRONMENT OF DIVERSITY, INTEGRITY AND TRANSPARENCY.



# Academic Issues and Challenges

- Investing in 2 new Deans
  - FY18 – recruiting for College of Nursing and College of Pharmacy
  - FY19 – In final stages of searches
- Continuing to nurture College of Population Health
  - FY18 – successful year, college growing, interim Dean in place
  - FY19 – recruit Dean, start up TREE Center at UNM Health West
- UNM Health West
  - FY18 – Strategic Planning
  - FY19 – Implementing 5 initiatives
- Increase Health Care workforce for NM
  - FY18 – shrinking budgets, balancing educational demands
  - FY19 – some new revenue, using returned tuition to stabilize the programs, implement new opportunities
- Faculty Compensation
  - FY18 – competitive employment market
  - FY19 – ensuring compensation and performance plans are aligned; 1% increase



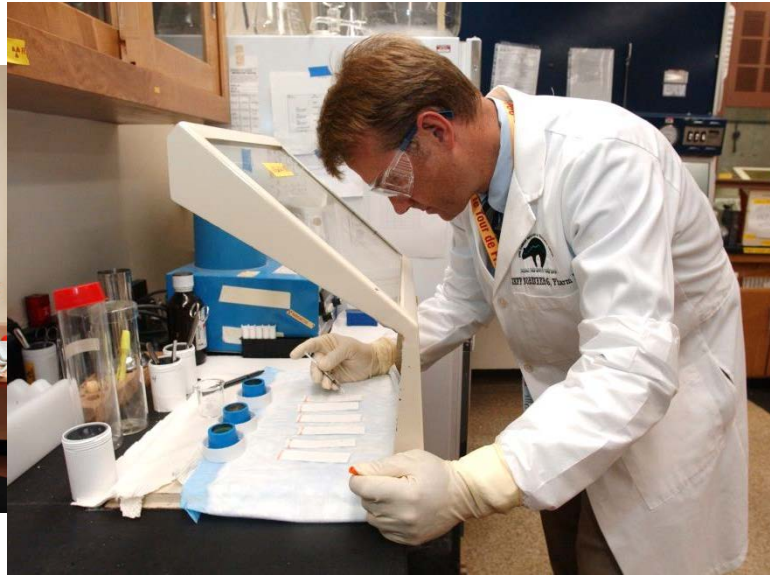
# Health System Issues and Challenges

- Value Based Healthcare
  - FY18 – quality, service, engagement & risk based contracting
  - FY19 – adding more Medicare advantage and managed Medicaid initiatives
- Strategic Partnerships
  - FY18 – developing strategies, UNM Lovelace joint venture, Genesis
  - FY19 – Expanding vision for more collaboration
- Revenue Cycle Operation
  - FY18 – rapidly evolving Information Technology needs
  - FY19 – specific implementation of projects for rapid improvement
- Modern Medical Facility / Alternatives
  - FY18 – inpatient capacity care constraints
  - FY19 – moving forward

# Budget Planning FY 2019

March 22, 2018

EXHIBIT C cont.



Ava J. Lovell, MHA, CPA  
Senior Executive Officer  
for Finance & Administration

# UNM HSC Academic Enterprise

## FY 2019 – Financial Assumptions

### Revenues

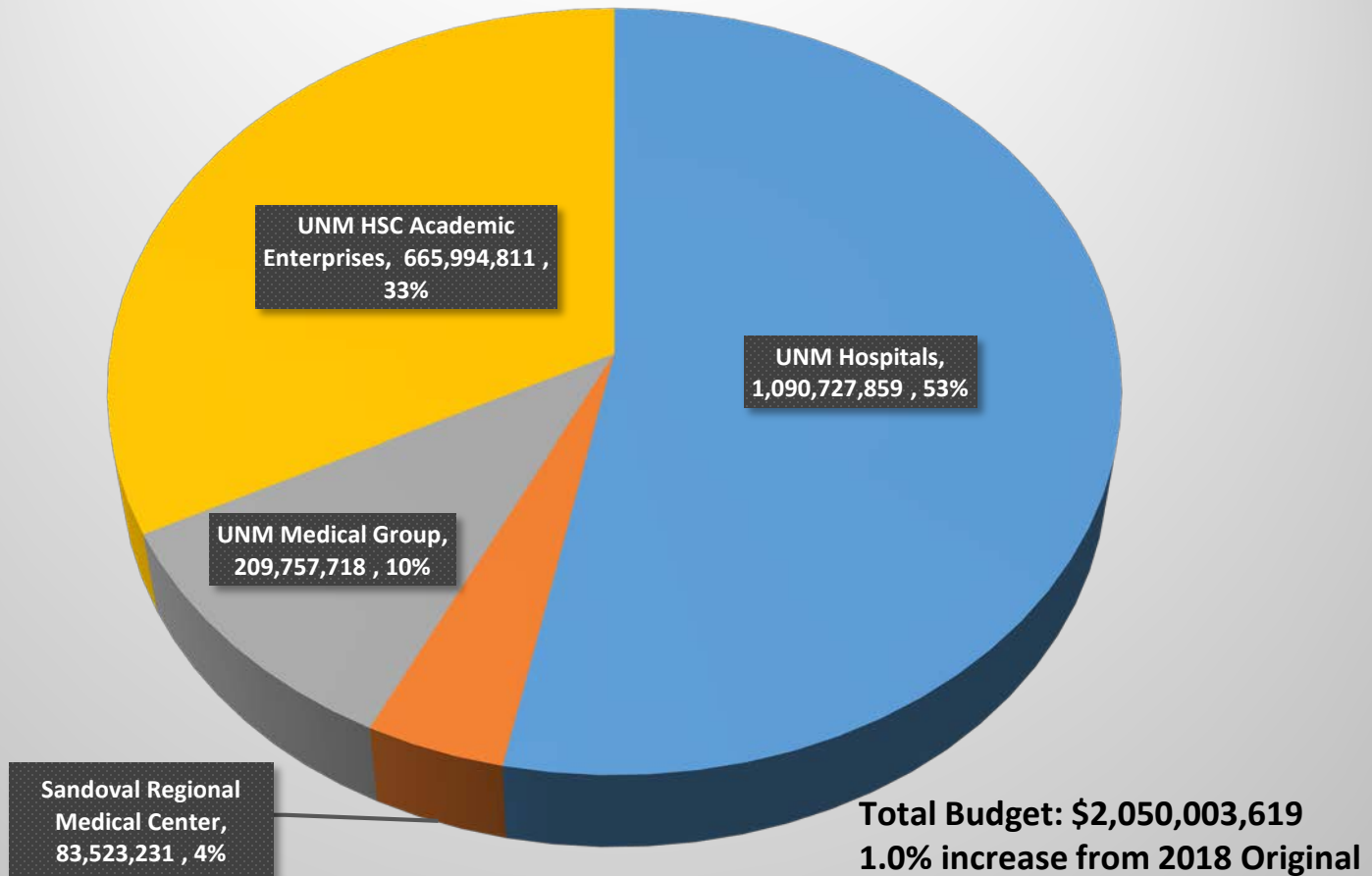
- FY19 I&G Comp Appropriation of \$1,063,000
- FY19 F&A budgeted revenues increased by \$700,000

### Expenses

- Salary increases for HSC Faculty and Staff – 1% in preliminary budget
- Group Health Insurance increase 1.75%
- HSC utilities increase
- College of Pharmacy Dean start-up package
- College of Nursing Dean start-up package
- UNM Health West start-up costs

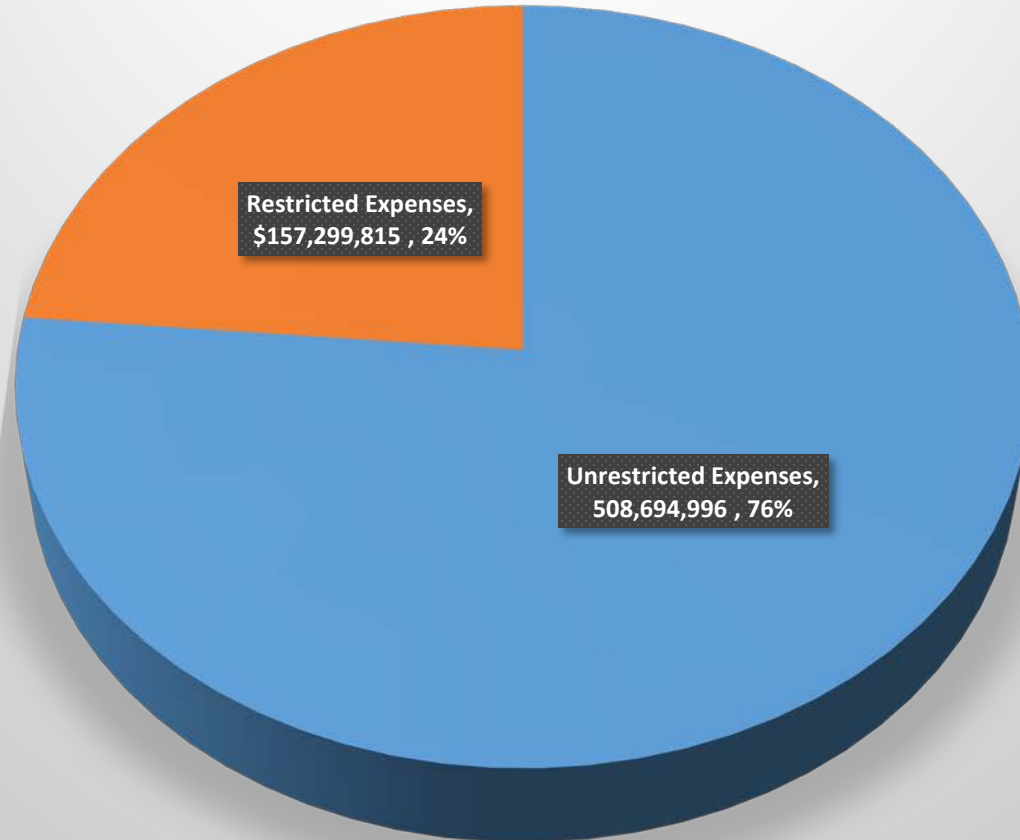
# UNM Health Sciences Center

## UNM HEALTH SCIENCES CENTER FY 2019 Expense Budget



# UNM HSC Academic Enterprise

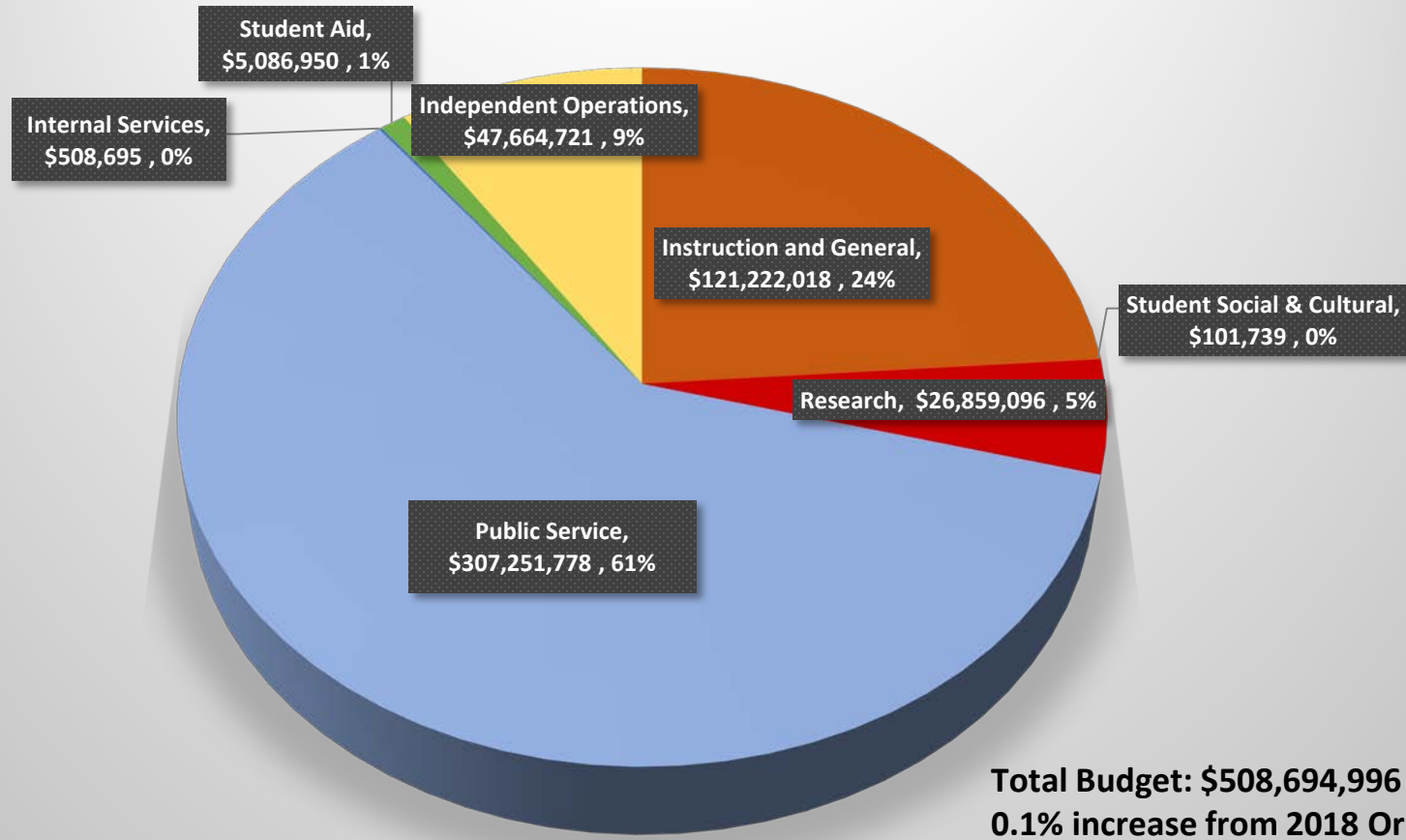
HSC Academic Enterprise  
FY 2019 Expense Budget



Total Budget: \$665,994,811

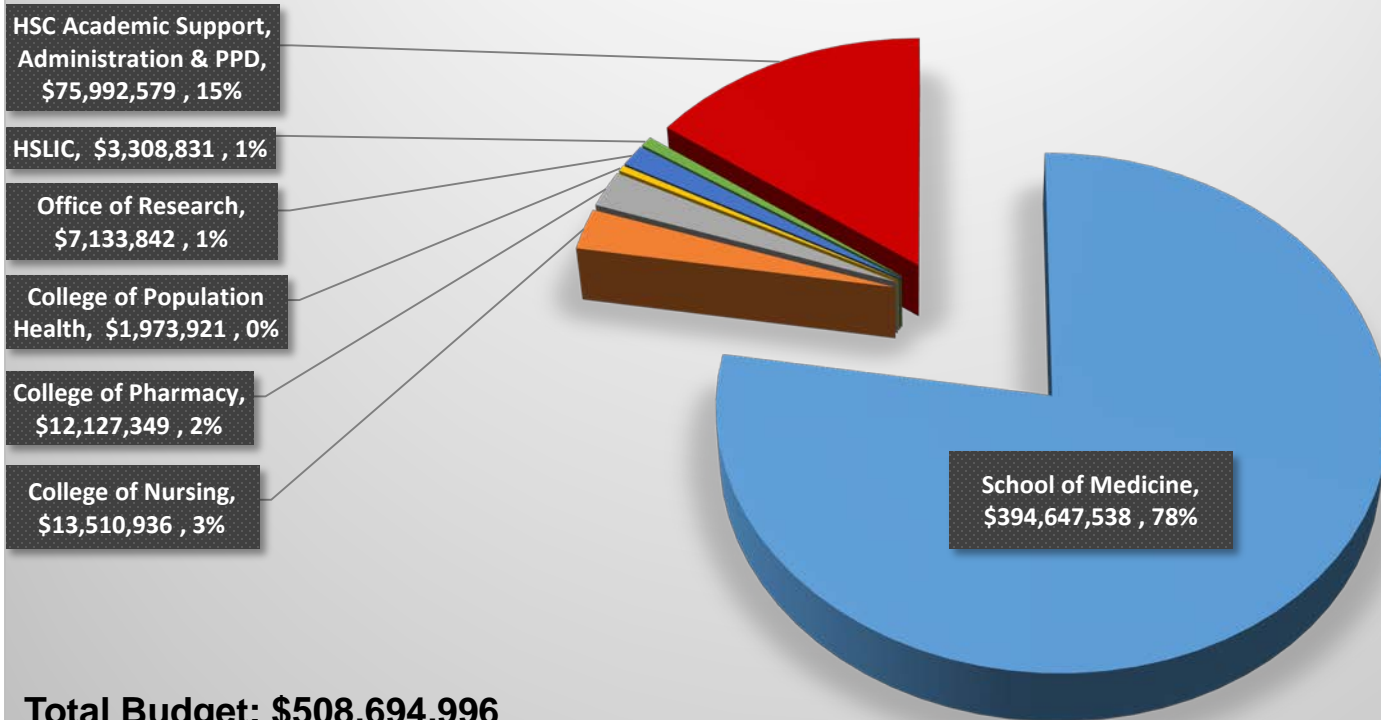
# UNM HSC Academic Enterprise

## HSC Academic Enterprise (Unrestricted) FY 2019 Expense Budget



# UNM HSC Academic Enterprise

## HSC Academic Enterprise (Unrestricted) FY 2019 Expense Budget



**Total Budget: \$508,694,996**  
**0.1% increase from 2018 Original**

# UNM Health Sciences Center

## FY 2019 Appropriation Detail

FY 19 Projected Institutional Detail (General Fund \$ in thousands)	FY18	FY19	FY19	FY19	FY19	\$	%
Agency/Institution/Program	GF Approp	GF Increase	Compensation 2% plus fringe benefits	Non-recurring appropriation	Final Appropriation	Change from FY18 to FY19	Change from FY18 to FY19

### UNM Health Sciences Center

I &G	57,201.1	0.0	1,063.0	0.0	58,264.1	1,063.0	1.9%
Office of Medical Investigator	4,707.2	500.0	106.2	475.0	5,788.4	1,081.2	23.0%
<del>NEW—UNM Bioscience Authority</del>	-	250.0	0.0	0.0	250.0	250.0	VETO
Cancer Center	2,469.5	0.0	79.5	0.0	2,549.0	79.5	3.2%
Carrie Tingley Hospital	4,888.8	0.0	312.3	0.0	5,201.1	312.3	6.4%
Children's Psychiatric Hospital	6,692.2	0.0	384.4	0.0	7,076.6	384.4	5.7%
General Surgery/Family Medicine Residencies	307.7	0.0	32.4	0.0	340.1	32.4	10.5%
Graduate Nursing Education	1,514.7	0.0	0.0	0.0	1,514.7	0.0	0.0%
Hepatitis C Comm. Health Outcomes	2,017.2	0.0	28.9	0.0	2,046.1	28.9	1.4%
Internal Medicine Residencies	980.4	0.0	0.0	0.0	980.4	0.0	0.0%
Native American Health Center	252.0	0.0	3.7	0.0	255.7	3.7	1.5%
Native American Suicide Prevention	91.4	0.0	1.4	100.0	192.8	101.4	110.9%
Newborn Intensive Care	3,074.3	0.0	71.6	0.0	3,145.9	71.6	2.3%
Nursing Expansion	1,012.3	0.0	0.0	0.0	1,012.3	0.0	0.0%
Pediatric Oncology	1,196.1	0.0	24.8	0.0	1,220.9	24.8	2.1%
Poison Control Center	1,456.2	0.0	36.8	88.8	1,581.8	125.6	8.6%
Psychiatry Residencies	370.1	0.0	0.0	0.0	370.1	0.0	0.0%
<b>Health Sciences Total</b>	<b>88,231.2</b>	<b>500.0</b>	<b>2,145.0</b>	<b>663.8</b>	<b>91,540.0</b>	<b>3,558.8</b>	<b>3.8%</b>



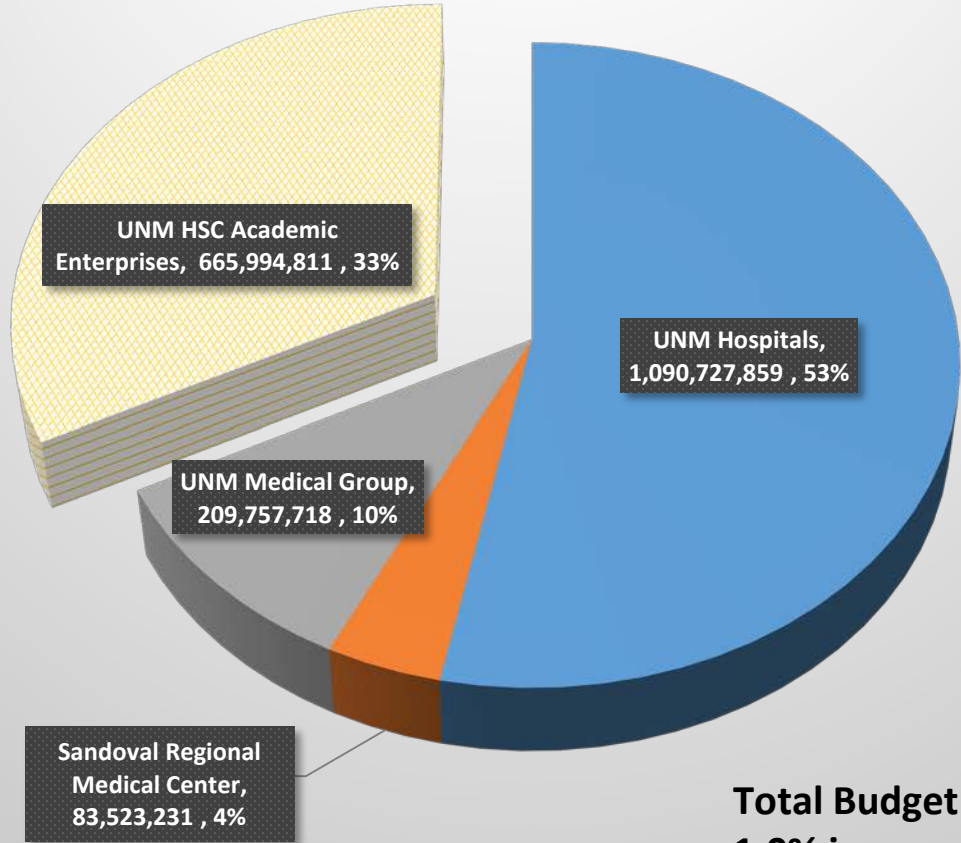
# UNM HSC Academic Enterprise

Comparative Analysis: Prior Year - Current Year - Next Year  
(In thousands)

	FY 2017 Actuals	FY 2018 Revised Budget	FY 2019 Projected Budget	Percent Change 2018-19
<b>Revenues</b>	\$655,212	\$656,207	\$666,045	1.5%
<b>Expenses</b>	648,563	638,824	655,764	2.7%
<b>Non-Recurring Items - (Capital/ Recruitment/ Startup/ Cost Share)</b>	(8,111)	(16,106)	(10,231)	
<b>Net Margin</b>	<b>(\$1,462)</b>	<b>\$1,277</b>	<b>\$50</b>	

# UNM Health Sciences Center

UNM HEALTH SCIENCES CENTER  
FY 2019 Expense Budget



**Total Budget: \$2,050,003,619**  
**1.0% increase from 2018 Original**

# Revenue Scenario

## UNM Health System

### Reimbursement Considerations

- ❑ *Overall reduction in reimbursement per unit of care*
  - Medicaid
    - Reduced contract rates
    - Reduced enrollment
  - Commercial
    - Contract and enrollment reductions
  - Increase in Uncompensated Care
    - Individual mandate elimination
    - Reduced Medicaid enrollment

# UNM Hospitals (Incl. Cancer Center)

## FY 2018 Revised Budget to FY 2019 Projected Budget - Revenue Changes

- UNMH volume increases - \$20 million
- Case Mix Index - \$7.1 million
- Medicare reductions to 340B drugs reimbursed under OPPS – (\$7.2)
- Retail Pharmacy volume increase - \$2.4 million

# UNM Hospitals (Incl. Cancer Center)

## FY 2019 – Financial Assumptions

- Compensation and Benefits – \$11.5 million
- UNMH Housestaff - \$531K
  - 1.0 Neurosurgery
  - 1.0 ENT Plastic Surgery
  - 1.0 Plastic Surgery
  - 1.0 Neurology
  - FY19 contract negotiations regarding wages, estimated to be 1-2% below other institutions
- UCP and Other Medical Services – 1% increase at \$916K

# Sandoval Regional Medical Center

## FY 2019 – Financial Assumptions

### Revenues

- Reductions from Medicare and Medicare Advantage plans, effective 1/1/18, continue into FY19.
- Medicare OPPS 340B drug reduction.
- Negative revenue impact due to DaVita physicians relocation
- Add General Surgery program

### Expenses

- 1% salary increase effective mid year
- Reduce FTEs to match service changes
- Expense related to Cardiology move and 5th floor beds open
- 2% Medical supply inflation

# UNM Medical Group

## FY 2019 – Financial Assumptions

- Revenue driven by 4.0% overall increase in wRVUs
- Minimal changes to reimbursement from FY18
- Movement of Cardiology clinic to SRMC
- Expansion of Spine Clinic to new space with increase in Functional Restoration program

# UNM Health System

## FY 2019 Budget

(in thousands)

	UNM Hospitals	UNM Medical Group	UNM Sandoval Regional Medical Center	UNM Health System 6/30/2019 Total
Revenues	\$1,090,730	\$209,872	\$83,534	\$1,384,137
Expenses	1,090,727	209,758	83,523	1,384,009
Net Margin before Non-Recurring Items	\$3	\$114	\$11	\$128
Capital Initiatives/ Meaningful Use Revenue/ Health Insurance - OPEB/ Use of UNMMG Reserves	-	-	-	-
Net Margin	\$3	\$114	\$11	\$128



<b>University of New Mexico Athletics Department (P21 Exhibit)</b>				
		<b>FY18 Original Budget</b>	<b>FY18 Revised Budget</b>	<b>FY18 Year End Projections</b>
<b>Revenue</b>				
NCAA/Mountain West Conference		5,200,000	5,200,000	4,638,299
Media Rights/Sponsorship		4,690,500	4,690,500	4,340,500
Men's Basketball Tickets		4,200,000	4,137,200	3,653,733
Football Tickets		1,900,000	1,539,800	1,539,833
Women's Basketball Tickets		330,000	330,000	398,630
Other Sports Tickets		115,000	115,000	115,000
Student Fees		4,000,000	3,883,402	3,883,402
Fundraising		3,100,000	3,072,800	2,500,000
State General Fund		2,617,300	2,617,300	2,617,300
Facility Rental/Merchandise/Misc/GIK		2,681,626	2,181,826	2,540,078
Game Guarantees/Hawaii Travel Subsidy		1,100,000	1,100,000	1,543,624
Concessions		900,000	900,000	994,000
Parking		625,000	625,000	520,000
Special Events		685,000	685,000	685,000
Licensing		525,000	525,000	525,000
Commissions		450,000	450,000	533,000
Transfers to/from Campus		(146,043)	1,074,033	1,744,495
Naming Rights		300,000	300,000	200,000
Training Room Billing		200,000	200,000	
<b>Sub Total</b>			<b>33,626,861</b>	<b>32,971,894</b>
Reserves				
Deficit Reduction Plan		-	(350,000)	
<b>Total</b>		<b>33,473,383</b>	<b>33,276,861</b>	<b>32,971,894</b>
<b>Expenses</b>				
Personnel		14,178,956	14,178,956	14,531,524
Supplies		1,393,857	1,437,182	1,875,330
Travel		2,956,353	2,955,745	3,540,989
Recruiting		679,823	686,823	812,777
Grant-in-Aid		5,024,660	5,024,660	5,800,000
Food Service		253,577	253,577	574,892
Student Cost Other		323,500	323,500	359,368
Medical		58,550	53,550	169,298
Services		3,818,801	3,806,361	4,436,738
Plant Maintenance		675,050	667,650	824,127
Overhead/Bank fees		4,102,923	3,881,524	2,050,747
Other		7,333	7,333	12,930
<b>Total</b>		<b>33,473,383</b>	<b>33,276,861</b>	<b>34,988,718</b>
<b>Net</b>		<b>-</b>	<b>-</b>	<b>(2,016,825)</b>



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FY 19 Main Campus BLT Recommendation

Thursday March 22, 2018

UNM Budget Summit

# FY 19 Budget Development

- Budget Leadership Team (BLT) work began in September 2017
- Collaborative Effort
  - Provost, Deans, Faculty, Students, Staff, and Administration
- This proposal was adopted unanimously by the BLT

# The Theme of the BLT Process: *The Value Proposition*

What is the value proposition of UNM for students and their families?

- Knowing the value of a student's experience at UNM exceeds the cost of attending.

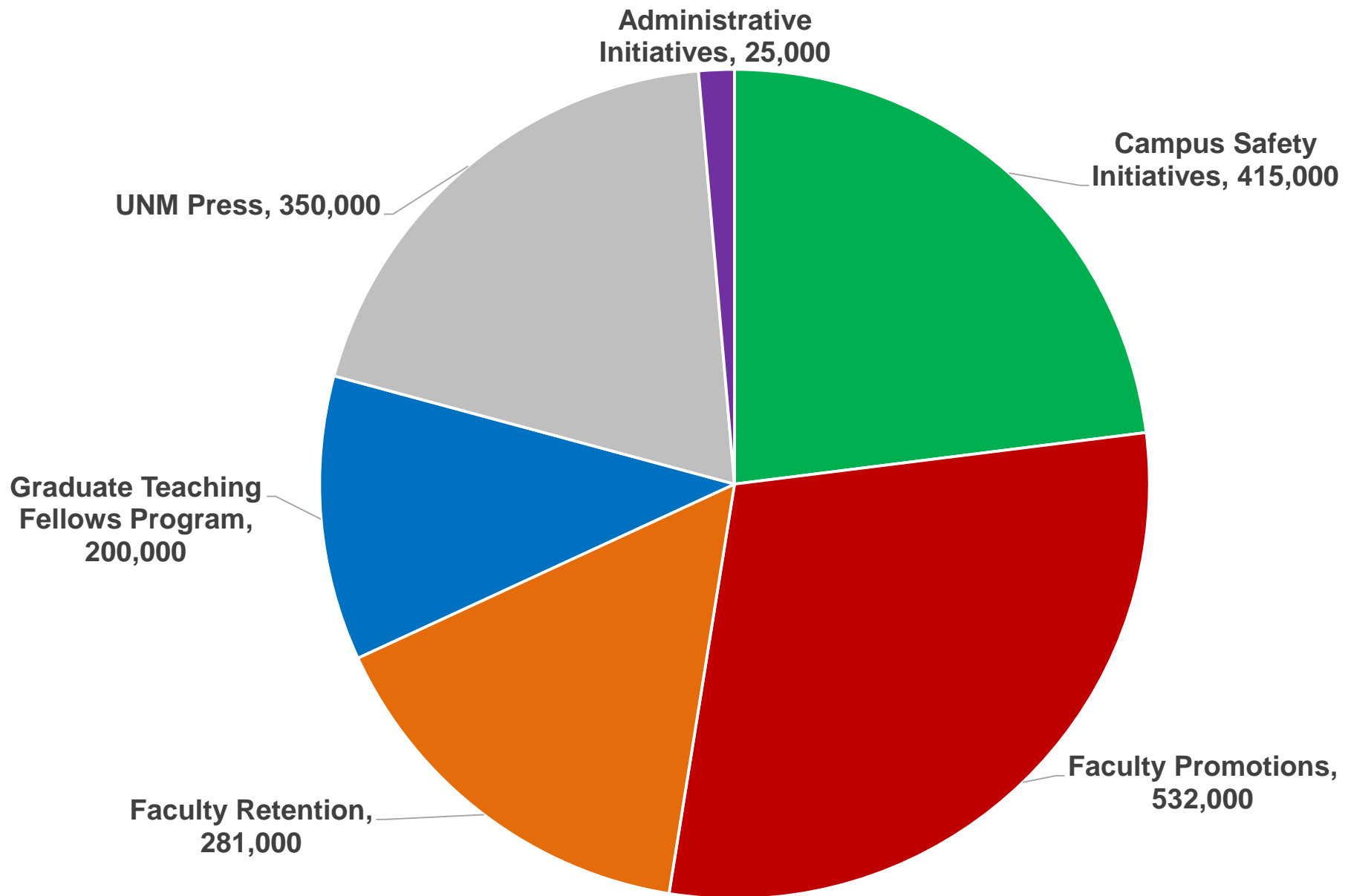
BLT's Budget Proposal focuses on:

- Students' needs and the academic mission as UNM's top priorities; and
- Spending that drives improved student outcomes.

This value proposition and our decisions are reflected in this proposal:

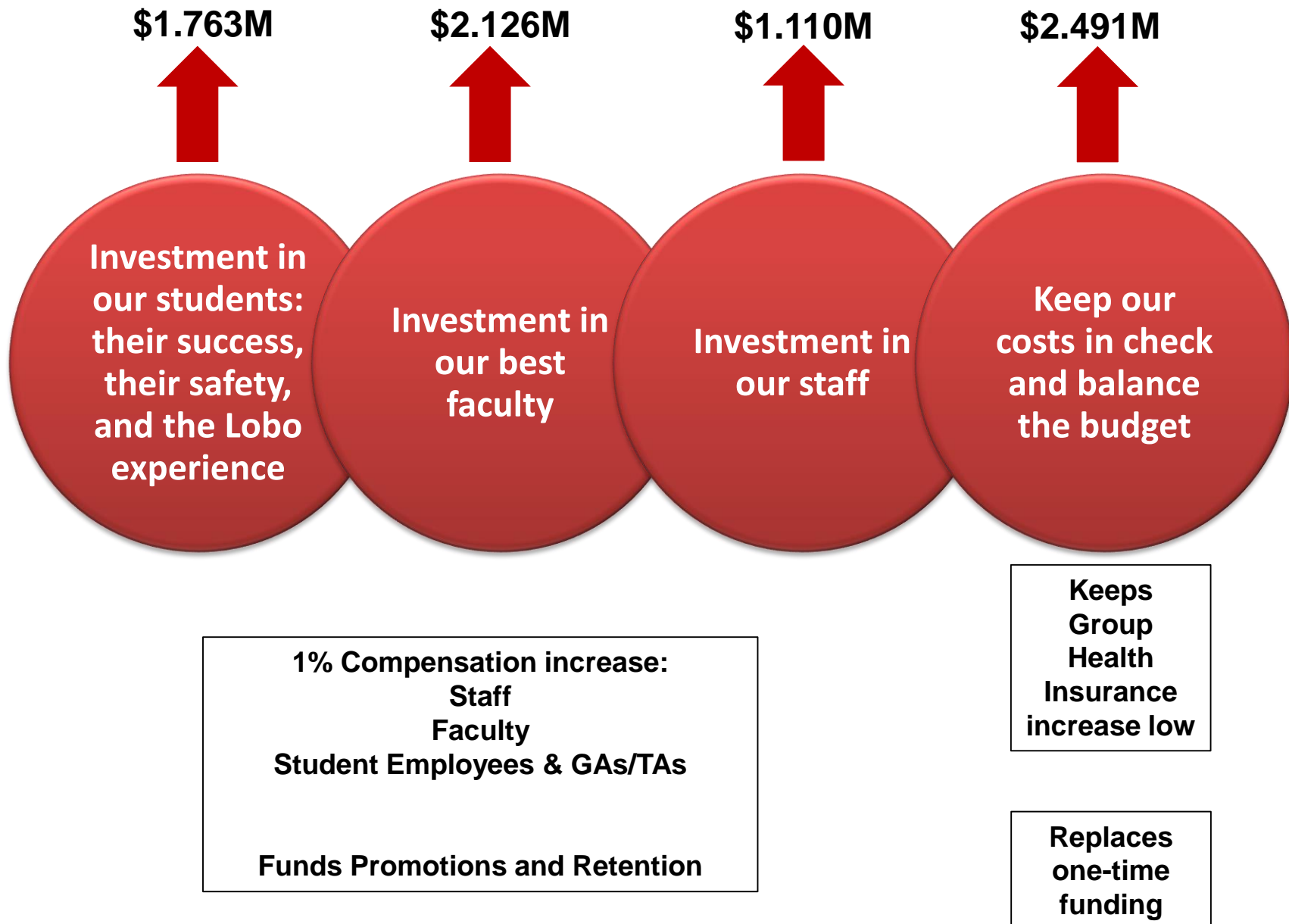


# Funding Priority Requests Overview



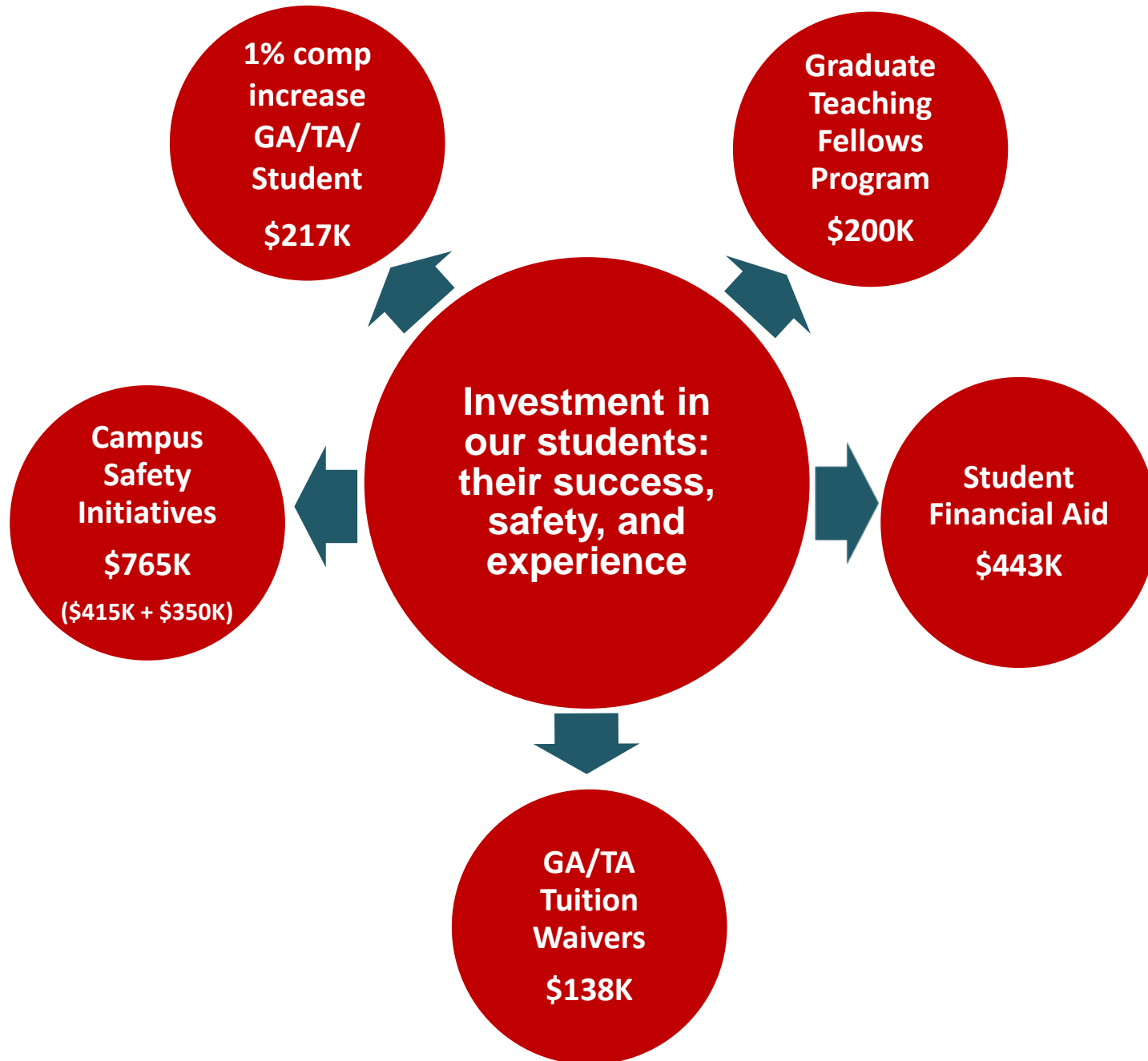
FY19 Campus Safety Initiative (in thousands)	
<b><i>Campus Safety Initiatives</i></b>	
UNM Police Chief of Security	116
Security Cameras and Lighting (recurring FY 19-FY 24) (\$350K funded from BR&R, \$500K total)	150
LoboRESPECT Advocacy Center (LRAC)	105
Therapist Assisted Online	44
<b>Total Requests</b>	<b>415</b>

# New Revenues for FY 19 help fund:





# \$1.763M Investment in our students:



## Entire proposal driven by the Value Proposition:

For UNM students and their families, assuring that what they pay focuses on:

- Funding *their* needs
- Improving *their* outcomes
- Advancing the *overall academic mission*

UNM is the university that New Mexicans need.

# Budget Leadership Team (BLT) Budget Recommendation

Main Campus Budget Leadership Team (BLT) Budget Recommendation FY 19 Budget (In Thousands)							
	Fiscal Year 2018 Original	Change Amount	Fiscal Year 2018 Re-Forecasted	% Change	Change Amount	Fiscal Year 2019 Original	% Change
<b>Revenues</b>							
State Appropriations	175,326	0	175,326	0.0%	6,467	181,793	3.7%
Projected Tuition Revenue	135,155	-2,400	132,755	-1.8%	1,645	134,400	1.2%
Mandatory Student Fees	37,737	-1,400	36,337	-3.7%	-80	36,257	-0.2%
Miscellaneous Revenues and Transfers	-10,630	1,250	-9,380	-11.8%	-693	-10,073	7.4%
One-Time Use of Reserve	0	881	881	N/A	-881	0	-100.0%
<b>Subtotal Revenues</b>	<b>337,588</b>	<b>-1,669</b>	<b>335,919</b>	<b>-0.5%</b>	<b>6,458</b>	<b>342,377</b>	<b>1.9%</b>
Health Sciences Center Transfer	-16,594	-164	-16,758	1.0%	-1,197	-17,955	7.1%
<b>Total Sources of Funds</b>	<b>320,994</b>	<b>-1,833</b>	<b>319,161</b>	<b>-0.6%</b>	<b>5,261</b>	<b>324,423</b>	<b>1.6%</b>
<b>Expenses</b>							
Base-President/Administration	7,215	0	7,215	0.0%	-300	6,915	-4.2%
Base-Academic Affairs	164,409	0	164,409	0.0%	500	164,909	0.3%
Base-EVP for Administration	41,203	0	41,203	0.0%	0	41,203	0.0%
Base-Must Funds (Fringes, Insurance, etc.)	53,246	-433	52,813	-0.8%	0	52,813	0.0%
Utilities	17,185	0	17,185	0.0%	0	17,185	0.0%
Mandatory Student Fees	37,737	-1,400	36,337	-3.7%	-80	36,257	-0.2%
Fixed Costs - Health Care	0	0	0	N/A	560	560	N/A
Faculty Promotions/Retention	0	0	0	N/A	813	813	N/A
New Initiatives	0	0	0	N/A	990	990	N/A
GA/TA Tuition Waivers - Tuition Increase	0	0	0	N/A	138	138	N/A
Compensation Increase - 1% Faculty, Staff, GA/TA and Students	0	0	0	N/A	2,640	2,640	N/A
<b>Total Use of Funds</b>	<b>320,994</b>	<b>-1,833</b>	<b>319,161</b>	<b>-0.6%</b>	<b>5,261</b>	<b>324,423</b>	<b>1.6%</b>
Balance	0	0	0		0	0	

# FY19 Compensation Recommendation: 1% Salary Increase based on Performance

Salaries Plus Fringe Benefits (Rounded to Thousands)	2% Increase	1% Increase
Faculty	\$2,626	\$1,313
GA/TA	352	176
Staff	2,220	1,110
Student	<u>82</u>	<u>41</u>
<b>Total Cost of Increase</b>	<b>\$5,280</b>	<b>\$2,640</b>
Funding from State	<u>\$2,462</u>	<u>\$2,462</u>
<b><i>Unfunded Amount</i></b>	<b>\$2,818</b>	<b>\$178</b>

- A 2% compensation increase from the legislature actually funds slightly less than a 1% increase across the board.
- Due to reductions in funding, UNM has been unable to provide employees with an increase in compensation for the previous 3 years.
- Therefore, BLT is recommending a centrally-funded 1% increase for non probationary employees with an additional 1%-2% based on exceptional performance (department-funded).

# 2.5% Tuition Increase; +\$7 UD & Grad Credit Hour Premium; and 2.39% Fee Increase

Upper Division Credit Hours	# of Students	Tuition, Fee & Premium Increase	T, F & P Increase %	Tuition & Premium Increase	T & P Increase %
0	7,412	\$88.23	2.5%	\$66.00	1.8%
1 - 6	4,594	\$95.30 - \$130.31	2.6% - 3.6%	\$73.07 - \$108.08	1.9% - 2.9%
7 - 12	4,055	\$137.31 - \$172.31	3.7% - 4.5%	\$115.08 - \$150.08	3.1% - 4.0%
13 - 18	2,457	\$179.31 - \$214.31	4.7% - 5.5%	\$157.08 - \$192.08	4.1% - 4.9%

## EXHIBIT E cont.

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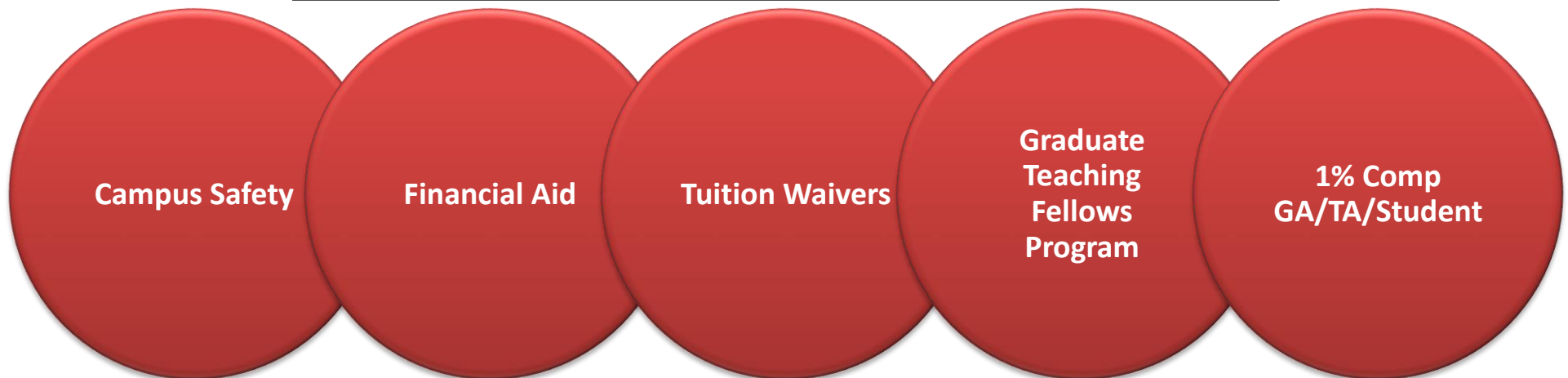
<b>Grad</b>	<b>Current Tuition, Fees &amp; Premium</b>	<b>2.5% Tuition &amp; 2.39% Fee Increase, +\$7 Premium</b>	<b>Difference</b>	<b>% Change</b>
3 hours	\$1,071.72	\$1,117.94	\$46.22	4.3%
6 hours	\$2,143.44	\$2,235.88	\$92.44	4.3%
9 hours	\$3,215.16	\$3,353.81	\$138.65	4.3%
12 hours	\$4,286.88	\$4,471.75	\$184.87	4.3%

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# Additional Tuition & Premium Revenue

2.5% Tuition Increase	\$2,725,000
UD Premium +\$7 (\$25)	\$1,457,512
Grad Premium +\$7 (\$25)	<u>\$250,565</u>
<b>Total Annual</b>	<b>\$4,433,077</b>

## \$1.763M Direct Student Investments



# Comments

- ASUNM Representatives
- GPSA Representatives
- Pamela Pyle- Faculty Senate President
- Danelle Callan- Staff Council President



# Request Approval of the BLT Recommendation

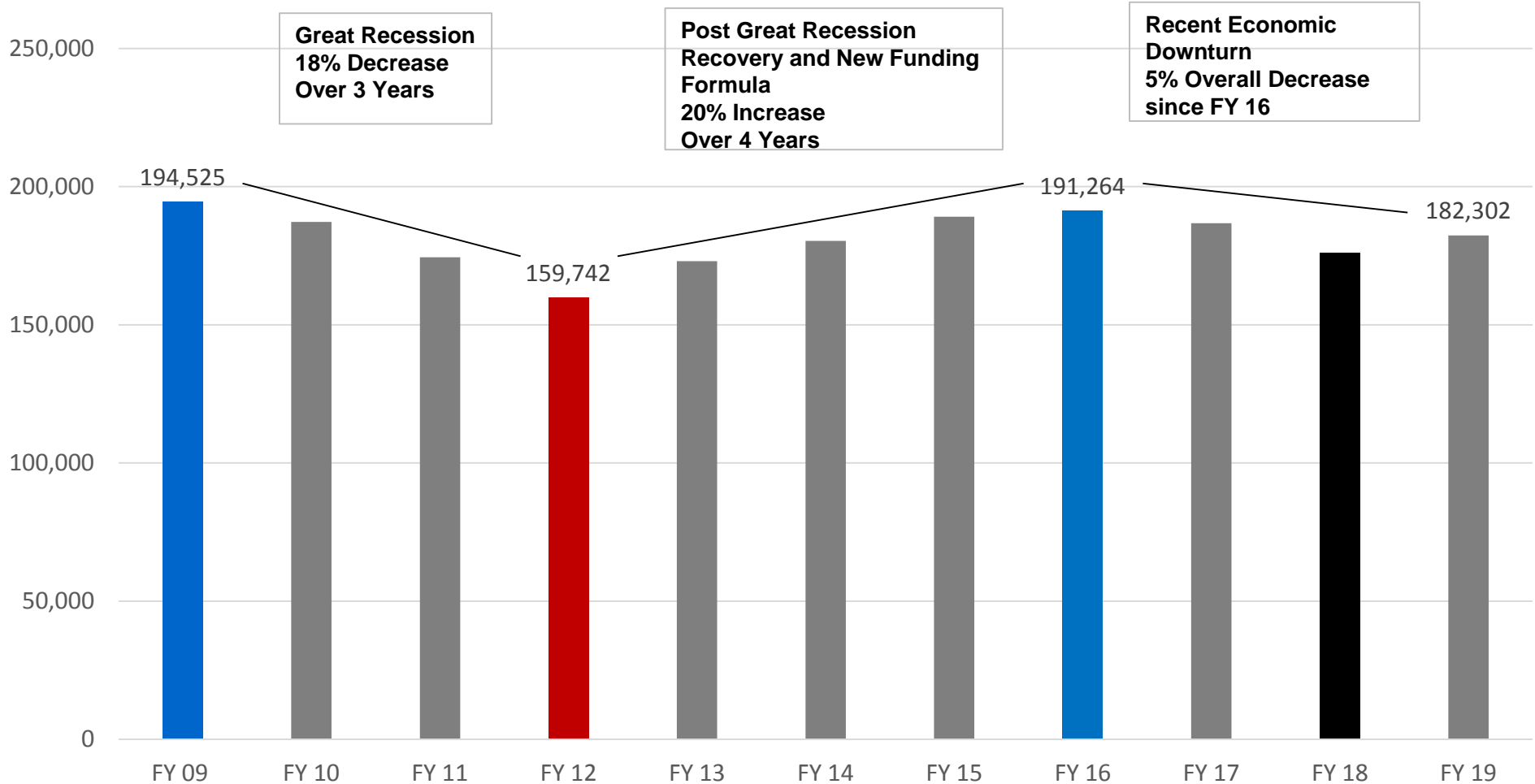
Thank you!

Questions?



# Main Campus I&G State Appropriation History FY 09-FY 19 Overall Decrease of 6.3%

Main Campus I&G State Appropriation History  
Rounded to Thousands



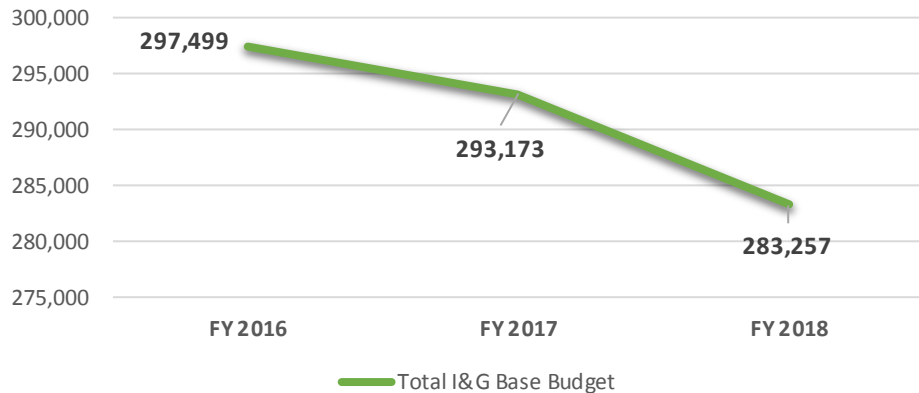
Note: Appropriations shown include Extended University's Direct funding

# FY16-FY18 4.8% Overall Decrease in I/G Allocations

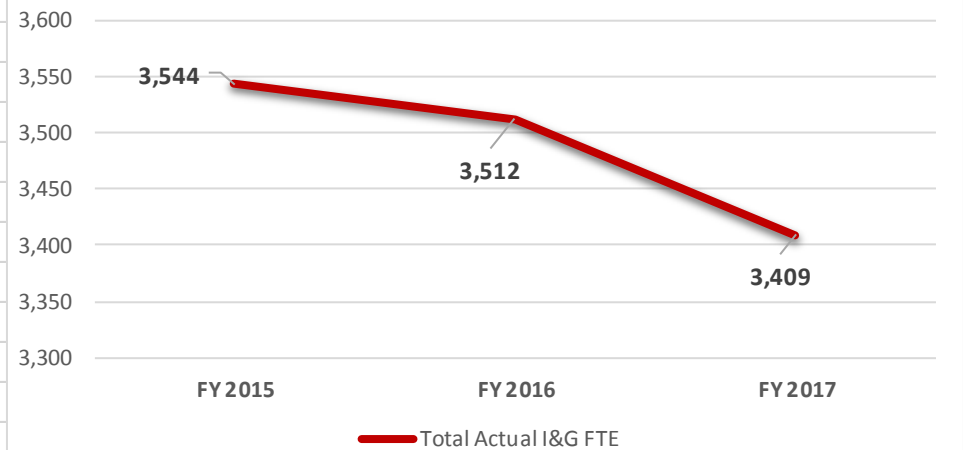
EXHIBIT E cont.

	FY 2016	FY 2017	FY 2018	change	change %
Base-President/Administration	7,515	7,317	7,215	-300	-4.0%
Base-Academic Affairs	174,975	171,716	164,409	-10,566	-6.0%
Base-EVP for Administration	44,026	43,046	41,203	-2,823	-6.4%
Base-Must Funds (Fringes, Insurance, etc.)	53,906	53,909	53,246	-661	-1.2%
Base-Utilities	17,077	17,185	17,185	108	0.6%
<b>Total I&amp;G Base Budget</b>	<b>297,499</b>	<b>293,173</b>	<b>283,257</b>	<b>-14,242</b>	<b>-4.8%</b>
	FY 2015	FY 2016	FY 2017	change	change %
	FTE	FTE	FTE		
Faculty	1,224	1,207	1,204	-20	-1.67%
Staff	1,644	1,643	1,552	-92	-5.58%
GA/TA	487	473	474	-13	-2.71%
Students	188	189	179	-9	-4.96%
<b>Total Actual I&amp;G FTE</b>	<b>3,544</b>	<b>3,512</b>	<b>3,409</b>	<b>-135</b>	<b>-3.80%</b>

**Main Campus I&G Pooled Budget Allocations**



**Main Campus I&G FTE-Actuals**

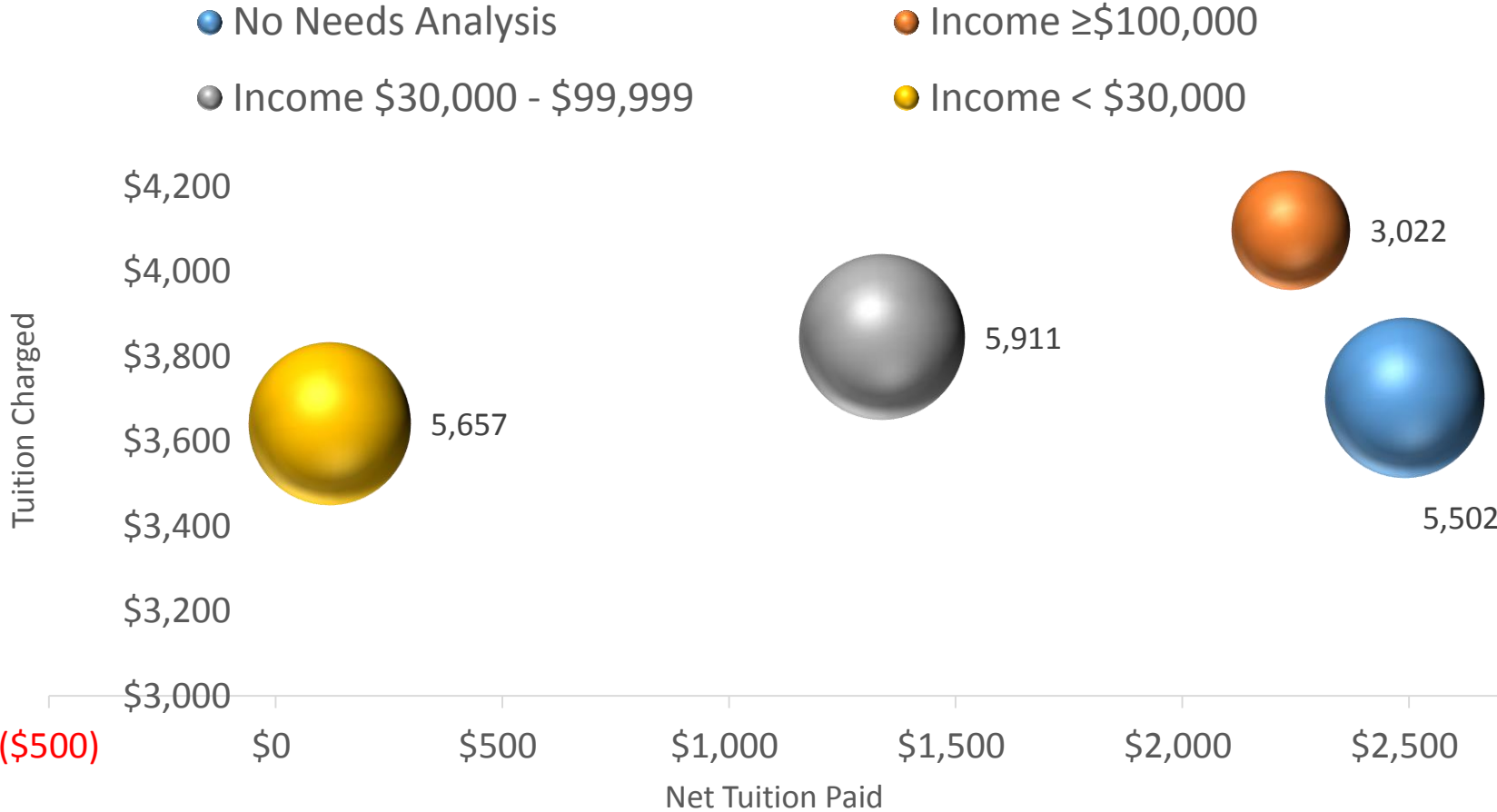


# FY19 Comp Increases – Cost vs Funding



# Distribution of Charges & Net Paid

Net Tuition Paid by Income Level Including Proposal



# EXHIBIT F

## THE UNIVERSITY OF NEW MEXICO MAIN CAMPUS FY 2018-19 STUDENT FEES - RECOMMENDATION

Requestors of Student Fees	FY 2017-18			FY 2018-19		FY 2018-19			
	Original Budget	Increase (Decrease)	Revised Budget	Increase (Decrease)	SFRB Recommendation	1% Compensation	Funding Swap	FY19 Projected Revenue Adjust	BLT Recommendation
<b>Student Activity Fees</b>									
African American Student Svc AASS	85,961	(3,189)	82,772	1,993	84,765	0	0	(3,589)	81,176
American Indian Student Services	94,859	(3,519)	91,340	2,191	93,531	191	0	(3,960)	89,761
Athletics	4,000,000	(148,397)	3,851,603	(502,912)	3,348,691	0	500,000	(166,983)	3,681,708
Career Services	32,552	(1,208)	31,344	752	32,096	0	0	(1,359)	30,737
CASAA/COSAP	18,769	(696)	18,073	433	18,506	0	0	(784)	17,722
Center of Academic Support (CAPS)	349,681	(12,973)	336,708	8,077	344,785	0	0	(14,598)	330,187
College Assistant Migrant Program	34,674	(1,287)	33,387	801	34,189	0	0	(1,447)	32,742
College Enrichment Program	24,767	(919)	23,848	572	24,420	0	0	(1,034)	23,386
Community Learning & Public Service	110,958	(4,116)	106,842	2,563	109,405	0	0	(4,632)	104,773
El Centro De La Raza	172,747	(6,408)	166,339	3,990	170,329	0	0	(7,211)	163,118
Global Education Office	48,659	(1,805)	46,854	1,124	47,978	0	0	(2,031)	45,947
Graduate Resource Center	89,163	(3,308)	85,855	2,060	87,915	0	0	(3,722)	84,193
IT Initiatives	1,882,323	(69,833)	1,812,490	43,480	1,855,970	6,591	0	(78,579)	1,783,982
KUNM	61,643	(2,287)	59,356	(8,115)	51,241	0	0	(2,573)	48,668
LGBTQ Resource Center	134,744	(4,999)	129,745	(511)	129,234	0	0	(5,625)	123,609
Music Bands	72,321	(2,683)	69,638	1,671	71,309	0	0	(3,019)	68,290
New Mexico Union (SUB)	2,337,013	(86,702)	2,250,311	53,984	2,304,295	0	0	(97,561)	2,206,734
Parking & Transportation Services	49,535	(1,838)	47,697	1,145	48,842	0	0	(2,068)	46,774
Project for NM GS of Color	9,907	(368)	9,539	(9,539)	0	0	0	0	0
Recreational Services	829,910	(30,789)	799,121	2,703	801,823	0	0	(34,645)	767,178
Student Activity Center	30,830	(1,144)	29,686	712	30,398	0	0	(1,287)	29,111
Student Govt. Accounting Office	197,949	(7,344)	190,605	4,573	195,178	0	0	(8,264)	186,914
Student Health and Counseling	4,635,043	(171,957)	4,463,086	171,957	4,635,043	44,813	0	(193,493)	4,486,363
Theatre and Dance	26,866	(997)	25,869	(15,869)	10,000	0	0	(1,122)	8,878
Univ Library Acquisitions	802,464	(29,770)	772,694	18,536	791,230	0	(500,000)	(33,500)	257,730
UNM Children's Campus	375,240	(13,921)	361,319	8,668	369,987	2,677	0	(15,665)	356,999
UNM Public Events (Popejoy)	163,465	(6,065)	157,400	(9,500)	147,900	0	0	(6,824)	141,076
Women's Resource Center	106,004	(3,933)	102,071	473	102,544	0	0	(4,425)	98,119
<b>Subtotal - Student Activity Fees</b>	<b>16,778,047</b>	<b>(622,455)</b>	<b>16,155,592</b>	<b>(213,989)</b>	<b>15,941,603</b>	<b>54,271</b>	<b>0</b>	<b>(700,000)</b>	<b>15,295,873</b>

# EXHIBIT F cont.

## THE UNIVERSITY OF NEW MEXICO MAIN CAMPUS FY 2018-19 STUDENT FEES - RECOMMENDATION

Requestors of Student Fees	FY 2017-18			FY 2018-19		FY 2018-19			
	Original Budget	Increase (Decrease)	Revised Budget	Increase (Decrease)	SFRB Recommendation	1% Compensation	Funding Swap	FY19 Projected Revenue Adjust	BLT Recommendation
<b>Graduate Allocation Fund (GAF)</b>									
GPSA Graduate Scholarship Fund	46,760	(1,735)	45,025	1,735	46,760	0	0	0	46,760
GPSA Student Research Grant	89,134	(3,307)	85,827	3,307	89,134	0	0	0	89,134
<b>ASUNM/GPSA</b>									
ASUNM - Accounting office	40,162	(1,490)	38,672	1,490	40,162	1,844	0	0	42,006
ASUNM	850,000	(31,534)	818,466	31,534	850,000	0	0	0	850,000
GPSA	300,950	(11,166)	289,784	11,166	300,950	0	0	0	300,950
<b>Debt Service/Other</b>									
Debt Service-ERP Project Fee	2,352,180	(87,262)	2,264,918	87,262	2,352,180	0	0	0	2,352,180
Debt Service-Facility Fee	17,279,317	(641,051)	16,638,266	641,051	17,279,317	0	0	0	17,279,317
<b>Subtotal - GAF/Debt/ASUNM/GPSA</b>	<b>20,958,503</b>	<b>(777,545)</b>	<b>20,180,958</b>	<b>777,545</b>	<b>20,958,503</b>	<b>1,844</b>	<b>0</b>	<b>0</b>	<b>20,960,347</b>
<b>Total - Current Funds</b>	<b>37,736,550</b>	<b>(1,400,000)</b>	<b>36,336,550</b>	<b>563,556</b>	<b>36,900,106</b>	<b>56,114</b>	<b>0</b>	<b>(700,000)</b>	<b>36,256,220</b>
<b>SFRB - One Time Funding</b>									
Student Publications (new)	0	0	0	25,000	25,000	0	0	0	25,000
Project for NM GS of Color	0	0	0	5,000	5,000	0	0	0	5,000
LoboRESPECT	40,000	0	0	0	0	0	0	0	0
ENLACE - Division of Equity and Inclusion	95,000	0	0	41,750	41,750	0	0	0	41,750
Libraries	15,000	0	0	0	0	0	0	0	0
LGBTQ Resource Center	5,000	0	0	0	0	0	0	0	0
SFRB Website	2,000	0	0	0	0	0	0	0	0
Green Fund, Office Sustainability	17,788	0	0	0	0	0	0	0	0
<b>Total - SFRB One Time Funding</b>	<b>174,788</b>	<b>0</b>	<b>0</b>	<b>71,750</b>	<b>71,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,750</b>
<b>Grand Total</b>	<b>37,911,338</b>	<b>(1,400,000)</b>	<b>36,336,550</b>	<b>635,306</b>	<b>36,971,856</b>	<b>56,114</b>	<b>0</b>	<b>(700,000)</b>	<b>36,327,970</b>

The 1% number for FY19 is approximately \$261,000

To keep the budget flat from FY18 to FY19 would require an 8.06% mandatory student fee increase. This considers the FY18 adjustments and the FY19 projected shortfall.

\$563,556 Revenue Increase in Fees for SFRB Rec plus \$56,114 for comp

2.39% Increase in fees including comp

Undergraduate Resident
\$62.00 Current per credit hour rate
\$1.48 Proposed \$ increase per credit hour
\$63.48 Proposed per credit hour total
\$17.76 Proposed \$ increase 12 cr hours per semester
\$22.20 Proposed \$ increase 15 cr hours per semester

Graduate Resident
\$68.20 Current per credit hour rate
\$1.62 Proposed \$ increase per credit hour
\$69.82 Proposed per credit hour total