

**NORTHERN NEW MEXICO COLLEGE
BOARD OF REGENTS SPECIAL MEETING
APRIL 24, 2017**

I. CALL TO ORDER

A regular meeting of the Board of Regents of Northern New Mexico College was held on Monday, April 24, 2017, in the Boardroom of Northern New Mexico College, Espanola Campus. Regents present: Rosario (Chayo) Garcia, Damian L. Martinez, Esq., Kevin F. Powers and Melinda DeHerrera. Board President Rosario (Chayo) Garcia called the meeting to order at 8:36AM.

Northern New Mexico College staff present: President Richard J. Bailey, Jr., Ph.D.; Domingo Sanchez, Vice President for Finance & Administration; Dr. Ivan Lopez Hurtado, Provost & Vice President for Academic Affairs; Sally Martinez, Executive Assistant to the Provost & Vice President for Academic Affairs; Donna Castro, Director of Human Resources; Julianna Barbee, Small Business Development Center Director; Shari Jobe, HEP Director; Alex Williams, Business Office, Senior Financial Analyst; Chris Trujillo, IT; Sandy Krolick, Creative Director, Communications & Marketing; Carmella Sanchez, Director of Institutional Research; Brandi Cordova, Executive Assistant to the Vice President for Finance & Administration; Kathleen Sena, Registrar/Dean of Students; Liz Abeyta, Director, Adult Education Program; Tessie Trujillo Lopez, Payroll Manager; Evette Abeyta, Budget Analyst; Mohammad Ali Musawi, Staff Writer/Report; Deborah Trujillo, Web Administrator; Pierrot M. Bendegue, Foundation Business Operations Specialist/Basketball Coach; Ryan Cordova, Athletic Director/Men's Basketball Coach; Donna Castro, Human Resources Director; Jimi Trujillo, Director, IT; Tamara Trujillo, Assessment & Accreditation Coordinator; Dalene Lucero, Bookstore Manager; Karen Martinez, Facilities; Cindy Romero, Facilities; Gwen Orona, Academic Advisor; Terry Mulert, Director, NNMC Foundation; Mark Rendon, Accountant II; Jacob Pacheco, Director, Financial Aid; Gerald Wheeler, Associate Registrar; Ivy Velasquez, Cashier; Adam Chacon, Fleet Assistant; Connie Manzanares, Financial Aid Assistant Director; Ken Dvorak, Director, Center for Distance Education; Amy Ortiz, Library Director; Cecilia Romero, CE Coordinator; Priscilla Baldonado, Head Cook; Henry Ochoa, Facilities; Sara McCormick, Recruiter/Admissions; Liza Przyllas, IT Technician; Stephanie Vigil-Roybal, CAMP Director; and Amy Pena, Executive Assistant to the President/Board Secretary. Faculty Present: Ellen Trabka; Lori Baca; Theresa Lopez; Ana X Gutierrez Sisneros; Lori Baca; Ulises Ricoy; Stephanie Amadeo Marquez; Jorge Crichigno; David Torres; Ashish Nandy; Theresa Lopez; David Lindblom; Ellen Trabka; Donna Winchel; Joaquin Gallegos; Brenda Linnell; Stephanie Amadeo Marquez and David Garcia. Others present: Jake Arnold, La Sociedad Venceslao; Bruce Smith; Barron Jones, Rio Grande Sun; Tony Ortiz, Ortiz & Zamora; Gabby Stewart, Ortiz & Zamora; Satguru Khalsa; Ted Koetter, Student Senate Vice President; Ariadne Bito, Student Senate President; Scott Eliason, Jaramillo Accounting Group, LLC; Audrey Jaramillo, Jaramillo Accounting Group.

II. APPROVAL OF AGENDA

Regent Martinez moved to approve the Agenda as presented. Second – Regent Powers. Motion passed unanimously. Regent Garcia stated there would be a change in the Agenda. Item VIII, A, 6 will be informational only and Item VIII, B, 1 will be informational only.

III. COMMENTS FROM THE BOARD

Regent DeHerrera stated the Academic Affairs and Student Affairs Committee had a presentation from a nursing student proposing a food bank for the College. He would like to present a little more to the other committees in order to move forward. Dr. Ivan Lopez Hurtado, Provost & Vice President for Academics also spoke more about an honorary degree and he will present this later on in the meeting. Discussion was held regarding the dormitories. This is a standing item on the Agenda because it is a major topic. Student Senate Representatives also had a couple of topics, which they will discuss.

Regent Powers stated the Audit/Finance/Facilities Committee had the longest committee meeting it ever had. There were a number of discussions on some critical issues for the College and some progress was made on those items and updates will be given by Domingo Sanchez, III, Vice President for Finance & Administration.

IV PRESIDENT'S REPORT AND ANNOUNCEMENTS

1. Celebrate Northern
2. Legislative Update
3. Audit Update

President Bailey reviewed the following:

1. State Budget - the latest is the line item veto the Governor made that defunded all of Higher Education which is not good. The legislature is in the process of litigation against the Governor for the vetoes and there is a discussion about a special session. President Bailey stated he wanted to make it clear that there is not a serious expectation that the College will be completely defunded starting July 1st but there is uncertainty. This is a period of uncertainty and it is challenging for everyone. We can feel it here on the campus and it is real and it affects, faculty, staff and students. Together as a team the College will get through it. The College will have some tough decisions to make but they will be made together. Everyone will hear more about it and President Bailey will update everyone as soon as there is more information.

2. Auditors - There is a presentation from the Auditors for the Board of Regents Meeting. President Bailey stated he would like everyone to know what the College is doing in response to that. The College built a matrix and it lists all 37 findings. Every month, the College will submit a report that includes that matrix, all the updates that have been made and the progress that the College has made in fixing those findings. This document will be going to the Higher Learning Commission (HLC), Cabinet Secretary Damron, Higher Education Department (HED), Department of Education in Dallas, Office of the State Auditor, Members of the Board of Regents, and Faculty Senate. The College is going to be very open, honest and frank about what the College is doing moving forward and everyone deserves this. The College is going to be aggressive about how it responds to this.

3. Acknowledgements - President Bailey stated in the midst of all of these challenges there are men and women at this College doing amazing things and deserve to be celebrated. President Bailey wanted to mention Dr. Ulises Ricoy who is asked almost every month to represent the College. Dr. Ricoy was featured in the Hispanic Network Magazine for a Hispanic Leadership Conference, a presentation he gave there. He also coauthored a paper that appeared in the Latin American Congress on Biomedical Engineering. Dr. Ricoy has done some amazing things to represent this College and everyone is proud of him.

Dr. Patricia Trujillo was a guest scholar at the Colorado Borderlands Symposium.

The College received a Campus Champion Award from the Secretary of Veteran's Affairs, Jack Fox. The College is very honored and grateful for this recognition.

4. Partnership - The College just entered into a partnership with NASA and Ohkay Owingeh and the rest of the Northern Pueblos and received a \$7,5000 Grant and the plan is to have a workshop in September. The focus is to try and see how the College can support and celebrate STEM to the local Pueblo students. This is a seedling in what the College hopes to be a much larger project. President Bailey thanked Dr. Ricoy because he has done a lot of work for this as well.

5. Renewable Energy Festival - This was an amazing event and the final numbers were 760 attendees for the two-day event. There was also a series of impressive lectures on all types of renewable energy. Special thanks to Rio Arriba County and Renewable Taos for generous financial donations. There was a lot of blood, sweat and tears put into this by a lot of members of the community.

6. Commencement - Nurses Pinning Ceremony, May 12, 2017, 1:00PM, Center for the Arts. HEP Graduation, May 12, 2017, 6:00PM, Eagle Gymnasium, Spring Commencement, May 13, 2017, 9:00AM, Eagle Gymnasium.

7. Student Acknowledgements - Marissa Salazar and Adrianna Suazo both accepted for internships at Michigan State. This is two of many amazing things the students are doing.

8. Introduction - Sandy Krolick introduced the College's new staff writer, Mohammad Ali Musawi.

9. CFA - There will be an amazing, gifted, local artist, Manuel Lopez who will be having an art show in the Center for the Arts.

10. Research Programs - In 2010 the College had one student involved in a formal undergraduate research program. The College was proud of that student. Every year since then that number has grown. As of 2017, the College has 17 students who are doing formal undergraduate research programs. It might not sound like a big number but if you look at where the College was and where it is, it is a testament to the caliber of the students and the names they are making for themselves in their own disciplines and it is also a testament to the mentorship and quality of faculty. President Bailey thanked students and faculty for this and the College hopes it to continue.

V. FACULTY SENATE PRESIDENT'S REPORT

Dr. David Torres, Faculty Senate presented the following highlights from the Faculty Senate Meeting:

1. President Bailey spoke about the budget from the State, Faculty Boards Forensic Audit and the strategic plan for enrollment.

2. Provost Lopez spoke about the Faculty Handbook.

3. Committees:

Undergraduate Committee - passed some changes specifically in Nursing, the AAS in Electrical Engineering, changes in Electronic Computer Engineering, Engineering, Psychology, First Year Experience Course, English and Humanities and Social Sciences.

Educational Policy Committee - Patricia Trujillo is working on policies to revise procedures for Stats and changes to academic programs.

Honors Committee - Rose Calvacante, Chair of the Committee presented a nomination for an Honorary Degree. Dr. Lopez will be giving more details on this nomination. It was passed by the Honors Committee and approved by the Faculty Senate.

VI. STUDENT SENATE PRESIDENT'S REPORT

Ariadne Bito, Student Senate President thanked everyone for everything this school year and also thanked everyone participating in all the events.

1. Senate Elections - Senate Elections will be coming up soon and will be administered by Student Life.
2. Barbecue - The end of semester barbecue has been planned and will be in conjunction with Cultural Day.
3. Volleyball Tournament - This is an annual event that began five years ago.

Ted Boelleter, Vice President for Student Senate reported on the following:

1. Food Pantry - They would like to present it to President Bailey and Terry Mulert, Foundation Director. As far as funding it only needs approximately \$2,000 to start up of which \$1,500 is already pledged. The College would only need to provide space.
2. Fees - Currently a full time student pays \$725.00 in fees per semester. Where does that money go? If fees are increased, where would that money go and what fees would be increased and who would see the benefit?
3. Tuition - For the third time as Student Senate Vice President, Mr. Boelleter is asking if there has been any in-depth analysis in finding optimal rate of tuition to maximize revenue? So far, every year it seems that the increased tuition is based on ifs and maybes and hopes and dreams and not an in-depth analysis. The College has an amazing College of Business, why is the College not giving students a Capstone Project to find out the optimal rate of tuition.

Ms. Bito stated there are also concerns about the tuition lock in and it should be visited soon since there are questions such as having a waiver for health reasons. Could a waiver be requested? What is the process for this? This is very important since there are some students who need this. Ms. Bito stated that there is not enough time to get it done but there are students who need this and who are very committed. There is also concern about students not knowing anything the tuition increase. They do not know they can still be locked in and they could lose it if they do not have 12 credit hours per semester. Ms. Bito suggested a link on the website where there is a student blog for students to ask questions and administration and faculty can answer the questions.

VII. PUBLIC INPUT

Regent Garcia asked Mr. Jake Arnold to speak. Bruce Smith, a representative from La Sociedad Venceslao stated the primary spokesperson is not at the meeting. Mr. Smith is a retired tenured faculty member from the College, served 25 plus years and retired in 2008 and a community member from El Rito. He was prepared to say one thing but asked, if possible, if the Public Input be postponed until he (Jake Arnold) arrives. Regent Garcia stated it would be possible.

Mr. Smith stated as a member of El Rito and a long time supporter of the College as a faculty and community member, he appreciates an effort to try to bring the El Rito Campus back to life. The Community Meetings that President Bailey has had have been well received. This project that is currently being considered as well as any other project is a positive effort to have some academic programs that would make the El Rito Community happy, allow opportunity for using El Rito while making it available to New Mexico Students. Things are looking up and it is not easy to bring someone in. Regent Garcia stated Mr. Arnold would be on later on.

Regent Garcia called Roxanne to speak. She was not available at the meeting. Regent Garcia also asked if anyone else would like to speak to the Board of Regents.

Jake Arnold stated he is the Executive Director of La Sociedad Venseclao Jaramillo, which is an El Rito based civic group. Members in attendance are Bruce Smith, Mr. Ochoa, Mr. Martinez, Sr. had to leave. Mr. Arnold stated their group has taken a regular interest in the JAG audit. They have actually over the past few weeks condensed the matters of interest in about 32 pages from about 130 pages. The civic group met Saturday morning and came with thoughts about the findings in this report. Mr. Arnold stated he understands Mr. Smith spoke to this earlier and the group is extremely appreciative of the work that Dr. Bailey has done, especially the possibility of getting the El Rito Campus going again, this project with the athletes.

Mr. Arnold stated there was a meeting several months ago with the civic group and the College, there were over 70 people there in support of this program and Mr. Arnold would like to reiterate this great deal of support from the community. As far as some of the findings mentioned in the JAG report, one thing that the group would recommend is that perhaps the position of VP for Finance & Administration at the College needs to be a CPA and somebody with some background in doing forensic work. This is certainly a possibility. One thing that is coming up is Auditor Keller may no longer be auditor after the municipal elections in Albuquerque he has some pretty serious CPA staff that are awfully good people. It would seem that addressing some of the findings or all of the findings in the JAG report could be a full time job. Just dealing with this and Dr. Bailey had essentially alluded to that. Mr. Arnold stated he would like to reiterate that Mr. Arnold and those in attendance are speaking for the entire membership of the group in El Rito for this.

Mr. Arnold stated a couple of things he would like to point out about the JAG report involving the Board of Regents. There needs to be some clarification of the process for filling the vacancy that has existed for over two years. Is the Governor going to appoint someone to fill the vacancy that has existed for over two years? Is the Governor going to appoint someone to fill that vacancy immediately? She could have done that last March. Regent Garcia stated she could have done it two years ago. Mr. Arnold stated the Board of Regents should not have to wait for the next session of the legislature. Also, the actual procedure appointing the constitution for the appointment of the Student Regent was not done by the Student Senate it was actually done by the President of the student body who initiates that process. Mr. Arnold believes this was not satisfying to the letter of the constitution and that is the way it should have been done. Something else Mr. Arnold would like to bring is that according to the court ruling of Dennis v. Johnson if there is a delay in approving the Governors appointees such as there was a few years ago, the appointees actually do not serve a full six years, they only serve out the balance of that term. There is something in the website of the College that is perhaps a little inaccurate. One thing the group would recommend is one of the findings of the JAG report is perhaps the Regents and President Bailey should be consulting with the Governor on, the group feels the Governor is well aware of this issue about the vacancy. Mr. Arnold doesn't think she needs any more advice and Mr. Arnold would recommend the Regents and President Bailey basically just stay out of it. She was informed by the State Auditor of her constitutional responsibility. Let the Governor deal with that, she knows what she is supposed to do and it is up to her to obey the constitution or not in that.

Mr. Arnold stated one thing involving the Northern New Mexico College Foundation that was in the findings had to do with a (inaudible) that is not publicly traded. As the JAG report pointed out the Foundation is a component part of the College and if you go back to its charter some years ago what its mission is. Mr. Arnold thinks it is time for the Foundation to be completely transparent, open up all its finances for public perusal, especially that one (inaudible) that is publicly traded so we can see exactly what that real estate might be. There are also some issue about the membership, the Board of Directors of the Foundation, the group would recommend that nobody that is a former official of the College or related to an official of the College, a current or former be on that Board of Directors. A whole lot of light needs to be shed on the operations of the Foundation. Regent Martinez asked if Mr. Arnold's suggestion is that anybody that has ever been part of the College should never be on that Board. Mr. Arnold stated other than the President of the College. Regent Martinez asked if not even if they are away from the College for five years and they want to give back. Mr. Arnold stated this is the group's point of view, this is just a recommendation, they are not expecting the Board of Regents to move on this, and the group thinks there have been some conflicts of interest in the past.

Mr. Arnold stated regarding the finding involving the fees paid to the College attorney, the group suggested it is time for an RFP for legal counsel and general counsel and any other attorneys to see what they should be doing and that anyone selected on the basis of an RFP says whether there are any conflicts of interest by the representation of the attorney or firm within other entities with who the College might have a relationship and some need to be very careful about this.

Mr. Arnold stated regarding the issue of pending litigation, the College's response to the findings of the JAG report the group finds to be totally inadequate. The group thinks there is absolutely a possibility of a material effect on the College by the two major issues of pending litigation. Currently, there is a hearing going on in District Court, depending on the outcome of the hearing, there might be a settlement, there might not. It is set to go to trial before a jury May 1. If you look at what the College payouts, there have been two whistleblower suits that the Board of Regent knows about and there is a third one and we will know the payout of that one shortly, that certainly could be a material effect. We are not saying the College should anticipate what the outcome would be, but you have to take a look at the possibility when you are assessing your financial position that there could be a material fact. The other case, which is the Monument case, this (inaudible) has no protection on that. A series of rulings recently by Judge Singleton has opened up fraud and deceptive trade practices to be pursued in that case. This is the one where the material effect could really be substantial in that case. Mr. Arnold stated he thinks you have to assess in finding response to funding that there is a serious material affect in both of those pieces of litigation. Mr. Arnold stated the group would also recommend a new fitting counsel working on a contingency to see if any funds can be and should be recovered from the former President, Nancy Barceló involving travel, involving honorarium and things like that. Mr. Arnold stated the JAG report addresses this quite well. They only did a certain amount of assessment of that but Mr. Arnold thinks there are extremely serious issues. The College may want to get the assistance of the Attorney General or the First Judicial District Attorney in this process. Also, the group also suggests that there are some criminal issues.

Mr. Arnold stated the last thing is the finding about the construction progress that has been in the campus of El Rito. This has been brought to the Board of Regents before and it is the ugly cyclone chain link fence. Mr. Arnold stated he thinks the College's response to finding this is the point on that one issue is that there is a historic preservation issue and that cyclone fence certainly is not keeping with the historic architectural aspects of the campus up there. Tear it up, use it for something else. There are plenty of rocks in El Rito to build those 3-foot high rock walls that are on the College everywhere else and throughout other locations in El Rito. There are also stonemasons that would be happy to work on the project.

Mr. Arnold asked Mr. Smith if had anything else. Mr. Smith stated he did not as Mr. Arnold did a good job and he had already addressed the Board of Regents. Mr. Arnold stated the group is not necessarily expecting a response but the group did take a great interest in this. Mr. Arnold also reminded the Board of Regents that a number of the groups members, including Mr. Arnold and Mr. Smith, have been active in issues involving El Rito and the College in general going back to about 2009 with the old El Rito Campus Committee. Mr. Arnold served on the 100th Anniversary Celebration Committee and was one of the producers of a film produced at that time. The group has had a longstanding interest not only in what is going on in El Rito but the College and the work the group has done over the past 10-15 years, the group has discovered a lot of the issues that have been identified for El Rito really are issues that affected the College in General and the JAG report definitely addresses that. Mr. Arnold stated again the group has been extremely impressed with the work of President Bailey thus far. Regent Garcia thanked Mr. Arnold for his input.

Regent Powers asked if Mr. Arnold has a written document to share with the Board of Regents. Mr. Arnold stated he does and he would have had it for distribution but as he was refining the document, his toner ran out and there is not a toner store in El Rito. Mr. Arnold will refine the document and will get it to the Board of Regents.

Regent DeHerrera thanked Mr. Arnold for all his concern and his outlook of the College and El Rito. El Rito is the original part of the College and Ms. DeHerrera appreciates Mr. Arnold helping out and keeping on top of things. Mr. Arnold stated there should be no doubt; the group is a strong supporter of the College, strong backers of the College, the group cares about the College and community. Regent DeHerrera, Garcia and Powers thanked Mr. Arnold.

VIII. STAFF REPORTS

A. Vice President for Finance & Administration

1. Audit Presentation by Jaramillo Accounting Group

Domingo Sanchez, Vice President for Finance & Administration stated the Auditors were next on the Agenda.

Regent Garcia invited Jaramillo Accounting Group to speak. Audrey Jaramillo, Jaramillo Group stated she and Scott Eliason are in attendance to present the June 30, 2016 Audit. Ms. Jaramillo stated they would begin with a letter to the Board of Regents, which is required communications.

Regent Martinez stated he had a question, the date of this meeting is April 24, 2017 and the letter is showing March 27, 2017 and this is the first time he has seen the letter. Ms. Jaramillo stated this letter is required to be dated the same date as the Financial Statements are. Regent Martinez asked why the Board of Regents did not receive this until a month later. Ms. Jaramillo stated this is just a summary of basically required communications to the Board of Regents when the audit is presented. Regent Martinez stated this is not on March 27, 2017 and asked why it does not have the current date on it. Ms. Jaramillo stated it was presented to the Finance Committee and passed along as drafts before issuing. Regent Martinez stated he is on the Finance Committee and has never seen this. Ms. Jaramillo stated as far the Agenda Item for this meeting, Jaramillo Accounting Group (JAG) is in attendance to present the results of the audit so the Board of Regents can approve the financial statements.

Ms. Jaramillo reviewed the documents provided to the Board of Regents (attached) and stated the first section explains what JAG is engaged to audit as far as the financial statements and states that JAG is giving the Board of Regents this required communications. Mr. Eliason stated as Ms. Jaramillo explained this is a

standard required communication and Mr. Eliason will review the Audit. Mr. Eliason stated the audit was the audit of both the College and the Foundation and there was also some also required budgetary comparisons and some supplementary information being audited. However, because of the matters in the independent auditors report, which will be reviewed, JAG did issue a disclaimer of opinion as they were not able to gain sufficient program audit evidence by a basis for auditing both the College and the Foundation. JAG looks at some other required information, accounting practices, financial statements, policies, however, as noted in the findings certain policies were not consistent. Also, due to a potential forensic investigation, JAG is unaware of all significant transactions during the proper period. JAG is required to give audit estimates and there are a couple of audit estimates in the financial statements. One of the estimates that is in the financial statements is the estimate about litigation settlements and also there is a loss contingency that was reported that included the embezzlement and larceny. JAG is required to describe any difficulties and the difficulty would be due to the embezzlement. JAG is also required to talk about any corrective or incorrect statements. All misstatements JAG is aware of are in the financial statements, however, there may be additional misstatements as the State Police investigate and as a result of this there were some reclassifications made. As far as disagreements go, there was the issue of cash reconciliation with the Director of Financial Services and that was a disagreement and ultimately she did resign on this issue. Mr. Eliason reviewed the representation letter signed by President Bailey and Mr. Sanchez (attached). This is the required communication from JAG, which was reviewed at the Exit Conference. Mr. Jaramillo stated rather than go over all the audit findings, he would go over a couple of things.

Mr. Eliason stated regarding the audit presentation he reviewed Management's Responsibility which is management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the US; that includes the design, implementation and maintenance of the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Mr. Eliason stated the auditors have a responsibility to look at the audit evidence and ultimately come to the conclusion of the financial statements. JAG expresses no opinion of the financial statements.

Regarding the Disclaimer of the Opinion JAG discovered fraud through the bank reconciliations provided for the audit.

The College could not provide adequate supporting documentation for certain transactions and balances during fiscal year ended June 30, 2016 which was a result of both insufficient and circumvented internal controls over financial reporting for all activities, including the College's component unit, the Foundation. There is also a disclosure under Other Matters (page 4 attached).

Mr. Eliason stated JAG noted that it could not obtain sufficient evidence to express an opinion and lastly (page 5 attached) is the other reporting required by Government Audit Standings.

Mr. Eliason stated he would not review the financial statements because it would be paradigm. Ms. Jaramillo stated she would like to ask the Board of Regents for their preference. Regent Martinez stated he would prefer an overview on the audit, like the Board of Regents is a bunch of second graders, giving them the highs and lows, this would be time better spent. Regent Garcia stated this is the first time the Board of Regents has seen this formal audit. Regent Garcia stated this is unfair to the Board of Regents, especially the ones that were not at the exit audit, to even say anything or ask questions because they have not been able to read the 117 pages. The Board of Regents should have received it two weeks prior to the meeting. Ms. Jaramillo stated the draft that was at the exit conference was review but the final was not released by the State Auditor's Office until March 21st. At that time, the report was final and what the Board of Regents sees today. On the Board of Regents Agenda it is for information only and she suspects this will give the Board of Regents

enough time to take a look at it and then approve the action on approval of the audit at the next meeting. Regent Martinez stated that the way the Board of Regents likes to operate is if something is on the Agenda they read it. If this would have been given to the Board of Regents on Friday, they could have spent the weekend reading it so they could have some questions. Nothing against JAG professionally, what they were saying, Regent Martinez was just about to glaze over it, means nothing to him without being able to look at it, sort of take it in and then be able to ask questions. Ms. Jaramillo stated this is something that was not included in the Board packets for some reason, she is not sure why. It has been final since the 21st. Mr. Eliason stated it has been on the State Auditor's website since March 31st available for anyone to review. Regent Martinez stated this is all fine and dandy but asked if JAG is hired by the school to do the audit or by the State's Auditor's Office. Mr. Eliason stated by the school. Regent Martinez asked if the College is JAG's client. Mr. Eliason stated this is correct. Regent Martinez stated for Mr. Eliason to say have fun and go to the State Auditor's website would be a kin to Regent Martinez saying when he defends somebody in court, oh yeah, we filed an answer why don't you get on Pace or Odyssey and go look up the answer instead of sending his client the answer and explaining to his client what all the legal language in the answer means. Now Regent Martinez has 132 pages that he does not have time to soak in at the Board of Regents Meeting. Ms. Jaramillo stated she understands Regent Martinez concern. In normal cases the report is provided to the administration and they pass it on to their Boards in their Board packet that is just normal protocol for every audit but they are here for the Board of Regents and they are happy to answer any questions or if there are any documents that the Board of Regents may have needed, they would be glad to respond to requests in addition to administration.

President Bailey stated administration would take some of this on, that this is something that the Board of Regents should have been better informed on, especially for this. President Bailey suggested maybe what should be done is as Regent Martinez said, have them give the Board of Regents highs and lows, the highlights, capture some from their perspective, what they see are the big issues that should be of concern to the Board of Regents. Let the Board of Regents absorb it, read it, take their time with it and at a later date at their choosing, bring JAG back for specific questions or funnel those questions through President Bailey.

Regent Martinez stated he what he is concerned about is, piggy backing off of Dr. Bailey, is if JAG could pick the top five worst things they found in the Audit, what are the top five. Ms. Jaramillo asked the Board of Regents wanted to look at any of the financial statements themselves or should they jump into the findings. Regent Martinez and Regent Garcia asked that they go to the findings. Regent Powers stated he would like JAG to give the Board of Regents the highlights of the actual numbers in comparison between 2016 and 2015 if possible.

Mr. Eliason stated the best place to go would be management's discussion and analysis. It is pretty consistent with the prior year. Current assets did increase about \$1.4M. Most of that is cash, the increase in cash. Looking back at things it is primarily because in 2016 the College stuck to the budget and the budget process and there were certain positions that did not get filled in 2016 and this is what caused most of the increase in the cash position in the organization. Mr. Sanchez stated this is pretty accurate. Mr. Eliason stated looking at the rest of the balance sheet, there really was not a lot of activity for example in capital assets, there was not much and there were not any construction projects. The next line Deferred Outflow of Resources has to do with the pension plan. As the Board of Regents knows all the cost share players in the State have to pick up their portion of the unfunded liability and pension plan and there is a number of things that happen with that, there is some inflow and outflow resources. Most of this is related to the unfunded portion of the ERB. The overall equity of the organization is \$14,139,335. Unrestricted (deficit) is primarily the result in the pension plan. This is detailed on page 8, which shows the composition of the organization. When you break it down, you can see the net fiduciary position, which is the unfunded liability portion, the College is picking up and this is a fact here, equity. If this is taken out, you can see the unrestricted operating position really did improve quite substantially during 2016. Again, it is really is a

result of budgetary controls and Mr. Eliason would have to say that one of the positive notes he would mention during 2016 is the adherence to the budget and the fact that the College did not have a finding of budget overages for the first time in a number of years. There was a tight command on budget in 2016. There are really no changes in the net position of capital assets.

Regarding Operating Revenues/Expenses you can see the detail. Non-Operating Revenues are primarily State Appropriation and that is the way it is classified. You can see the overall change in net position. This net position is really important. On Page 8 you can also get a good breakdown on Operating Revenues, which does not include State Appropriation and that is pretty consistent to prior year. If you look at Operating Expenses, this jumps out, the fact that there are less Operating Expenses by a significant margin to the prior year. Mr. Eliason asked Alex Williams as it relates to the Pension Plan and its effect on expenses it is positive. Ms. Williams stated she does not remember if it was allocated this year or not. Mr. Eliason stated he believes it was a reduction. There was budgetary control and positions that were not filled, especially when looking through the numbers in detail.

Mr. Eliason stated upon review of Page 10, the Board of Regents can see that State Appropriation was down just a little bit from 2015. The College did not get much for capital appropriation for really the last two years. You would have to go back three years to the bigger capital appropriations.

Mr. Eliason reviewed the footnotes (page 32). This states during the course of the June 30, 2016 routine audit, potential embezzlement and larceny of College funds was uncovered. As of March 27, 2017, the impact of this on the College's finance and compliance has not been determined. Management of the College has recorded a \$250,000 loss contingency in this matter. Mr. Eliason stated this is an estimate at this time. The loss amount could be higher since the actual loss amount is unknown at this time.

Mr. Eliason reviewed page 53 (attached), which shows there were four audit findings that were resolved from the prior year and five that were repeated and updated. Page 54 (attached) summarizes the results of the audit. There were material weaknesses in the Foundation and Federal Awards and JAG did look at two Federal Programs. These items and items in the past cause the College to be a high-risk auditee from an audit perspective. The remainder of the report is audit findings.

Regent Martinez asked if the material weakness with respect to the College is that not reconciling accounts. Mr. Eliason stated it is and it is one of many material weaknesses as JAG got. One thing the Board of Regents should know is the State Auditor did provide JAG the referral letter and the referral letter which is not a public document but that referral letter took information online that JAG recovered several years worth, they put together multiple documents of their concerns and JAG started that process and that results ultimately in a number of the findings related specifically to what the State Auditor asked JAG to look at and (inaudible) once she finds fraud in an audit and this audit is really not designed to catch fraud in an audit, JAG is really not designed to catch fraud (inaudible) but also to look at fraud risk factors. Once fraud is discovered everything changes from that point and as JAG did look deeply into the overall processes that the organization has and when you have an individual, for example, that is in a position of trust that this individual was in and has access other people's passwords and certain that the internal (inaudible) structure is designed (inaudible), for example taking cash to the bank are part of the bank reconciliation process and this individual circumvents that process as you see those types of things and dig into it and get others that resulted in the findings. Once you have fraud, it changes the process.

Regent Martinez asked when JAG pulled the bank statements, if JAG takes a random number of bank statements to see if reconciliation is going on. Mr. Eliason stated JAG does look at bank reconciliations as far as process and tests are done on bank reconciliations. This year, during this situation, all the bank statements, or most of all the bank statements were looked at. Looking at 2017 there were a couple of transactions that ended up also being part of the fraud that occurred that the individual went to the bank and took cash out and was not supposed to obviously do that and that was not the process.

Regent Martinez asked when the College is not doing the reconciling of the bank statements, is the College doing it at all. Mr. Eliason stated the bank statements were reconciled, there was an individual that was preparing the bank reconciliation and the individual reviewing the bank reconciliation went into the reconciliation and changed it. Regent Martinez asked if the individual fudged the numbers. Mr. Eliason stated yes. One of the main comments is the whole bank reconciliation and JAG suggested that the College use the module, the accounting system is supposed to be outside an excel file, to go ahead and use the bank reconciliation file which (inaudible) and Mr. Eliason stated he knows the College has already jumped on that and it has already started an automated process.

Regent Martinez asked about the Foundation. Mr. Eliason stated the Foundation's records were done by the College and the Director of Financial Services was pretty involved in that up to about January of 2016. The process was then turned over to Alex Williams who started doing that process. Ms. Williams stated she recreated them for the whole year.

Regent Powers asked of the 37 audit findings, five were from previous year. Mr. Eliason stated this is correct. Regent Powers asked of the 32 how many relate directly or indirectly to the embezzlement. Mr. Eliason stated JAG did not quantify this but a number relate to the embezzlement. There are several related directly to the embezzlement, several to the bank reconciliation. Mr. Sanchez stated there were also several associated with all the questions that were raised by the individuals through the State Auditor in the past years. That was a directive the auditors were given. Those two items represent a chunk of all those findings.

Ms. Jaramillo stated the audits are not very risk driven and when the auditors become aware of the risks then that is where the auditors have to focus more attention on and therefore there were more findings in those areas because the auditors were directed to look at very specific areas that a regular audit would probably not get into. Regent Powers stated that to some degree might explain why the event occurred back in 2012-2013 but it was not discovered until this year and this would then generate the audit findings in this year as opposed to over those years. Ms. Jaramillo stated this is correct. Also, she would like to mention, as Mr. Eliason mentioned earlier, audits actually rarely catch fraud. It is only 3.8% of cases that the audit will actually catch fraud. Typically it is as a result of tips, management review, and internal audit positions. It was driven more by changes in behavior and timing of what was given to the auditors. When they were supposed to be talking about the cash, the embezzlement on that side of things, the other part of the equation was the State Auditor disclosing additional risks to the auditors, which resulted in different findings.

Ms. Jaramillo asked Mr. Eliason to go over the matrix. Mr. Eliason stated the auditors have a matrix, which is a matrix that was included, as the State Auditor required a matrix be provided. This summarizes all the audit findings, the year they originated and type of finding, whether in compliance or not in compliance. The big thing is the bank reconciliation process, which the College is working on. Mr. Eliason's understanding is that the College has already started the bank reconciliation process and revising it. Mr. Sanchez stated the College has already started moving forward on utilizing the Banner bank reconciliation module. Jimi Martinez, IT Director and Joe Martinez, Banner System Administrator went to training for Banner and discussions have been held and they are pulling information off the Internet or the sources available for Banner so they can start doing this.

Ms. Jaramillo stated to answer Regent Martinez question about areas of concern. From Ms. Jaramillo's perspective they would be ensuring and dissemination of a high level of management control, staff work, accountability. Mr. Eliason stated he would agree with Ms. Jaramillo and looking at segregation of duties, they know that in 2016 there were situations where management had to fill in multiple roles and this included the Director of Financial Services. She had multiple roles and some of those roles, for example, she was deeply involved in Human Resources and also oversaw payroll and all the reconciliation processes and she was involved very deeply for a while since there was a period of time when there was not someone overseeing the procurement process. This has been resolved, including the Human Resources process; there is an individual involved in Human Resources. Certainly, in 2016, there were more incompatible duties, Mr. Sanchez filled in as Interim President and the Vice President of Finance and overseeing a lot of things and honestly Mr. Eliason does not know how he did all those things. All these would also be incompatible so the College needs to look at so the people are in the right positions so they are not incompatible. Ms. Jaramillo stated of course turnover, which is just an example as well.

President Bailey thanked JAG for everything they did. When the College had the entrance interview with JAG, President Bailey asked them to take the gloves off and tell the College everything it can fix. A lot of people told President Bailey to be careful what he wished for. President Bailey is convinced and he believes everyone is convinced that JAG has given the College a roadmap for things to work on and fix because the College owes it to the Board of Regents, to the Public and to the State. President Bailey stated and this is something that he does not want to fade away, that is, the College's position over the last several years has improved dramatically. If you look at where the College was three, four or five years ago, the College was doing three or four audits at the same time. Just trying to get a handle on what the College had. The College was in a lot worse shape than where it is now. The College has a long way to go, no question, and the College has a lot of work to do but President Bailey wants to recognize the herculean efforts the College has made just in the last couple of years just to get to this place and he does not want to diminish all the work that went into this. President Bailey also stated as an update to everyone he will be meeting with State officials related to the investigation and his hope is that at the end of this there will be some clarity on the investigation and the College will probably get the green light to start the forensic audit. For everyone else out there, the goal is the College will get the forensic audit going as soon as it can, get clarity on those positions, work at those 37 findings so that the College can present to the Board of Regents an update of where the College is. The goal is to remove that disclaimer as soon as possible, ideally to remove it during the FY17 audit.

President Bailey stated there may have been a culture in the past where people were afraid to speak up about things that were going on at the College because they were worried about keeping their jobs. President Bailey stated he understands this and he is sensitive to that but he wants to make it crystal clear that those days are over and that the only way to move forward as a family and as an institution is by making sure the College is doing things right and the College owes it to the students. The College is going to work very hard at changing that culture and making sure that the mechanisms that are in place are followed and that is how the College is going to get through this. Lastly, President Bailey stated these findings and Mr. Sanchez is with President Bailey, this is on administration, administration has to grasp that it has processes in place that work, if there are not processes in place, then the administration owes it to the Board of Regents to put processes in place and the processes in place that should be followed need to be enforced. That is what the President and Mr. Sanchez are going to work on but President Bailey does not want it to reflect on the very hard work the Business Office does every day, this should not be a reflection of them, this is something administration is going to take on. President Bailey stated this is something administration is going to take on and thanked the Business Office for all the things they do for the College and students.

Ms. Jaramillo stated she would like to echo what President Bailey stated, throughout the audit process JAG was very pleased with the response from staff and chairs in trying to get through this. These situations are always very difficult and stepping forward when something like this happens is everyone else that is left deals with the mess. This is a ripple effect and can be very stressful. JAG appreciates the transparency and even auditors come under attack for some things and the staff also felt that way in the past and it is great President Bailey is addressing that. Ms. Jaramillo thanked everyone for their support in the process and everyone has done a great job in getting involved in the process because as a governance the Board of Regents is also in a tough place. To address the disclaimer, it will entail more work to nail down those numbers once the investigation is completed. A disclaimer means we don't know what we don't know. JAG cannot give the College an audit that the numbers were okay as of January 2016 without information, once that information is provided to JAG then JAG will be able to look at that, make any statements that may need to be made in adjusting cash over the past year as well as taking a look at any other fraud in these areas. Once this all becomes known to JAG, it will be a matter of testing things and being comfortable with the analysis and testing the findings and taking time to if they are complete. Some may repeat because the individual was 8 months into 2017. JAG has been doing this for 20 plus years, Ms. Jaramillo has full confidence that it will be covered but it will take some hard work. Mr. Eliason stated there are a number of those finding that could be cleared (ex., the College having 5 credit card machines). This goes back to a good program review process. The Director of Financial Services was aware of these machines and Mr. Eliason stated he is not sure why she kept those but these can be cleared easily. Ms. Jaramillo stated at the end of the day JAG is here for the College and is available to ask any questions. Regent Garcia thanked JAG for their presentation.

The Board of Regents took a break at 9:54AM and reconvened at 10:10AM.

Regent Garcia asked Mr. Arnold if he would like to give his public input prior to the rest of the presentations because it is going to be a long process. Mr. Arnold asked if Regent Garcia would like him to go now. Regent Garcia stated she would. Mr. Arnold stated it would be fine to wait until the remainder of the reports.

2. Budget

Mr. Sanchez stated at the last meeting on the Operating Budget, Mr. Sanchez gave the Board of Regents an overview and in that overview Mr. Sanchez talked about the budget objectives for preparing the Operating Budget for next year. Mr. Sanchez talked about the challenges and many of those Dr. Bailey shared with everyone this morning. Regent Martinez asked if Mr. Sanchez has slides so everyone can look at what Mr. Sanchez is presenting. Mr. Sanchez stated he does (attached). Mr. Sanchez stated he would like to give the audience a brief summary of what was looked at last time and then what Mr. Sanchez is showing everyone today, which includes some of those documents. Mr. Sanchez stated the budget objective and challenges were discussed, again Dr. Bailey has mentioned a lot of those. The College is still without an Operating Budget from the State. The issue of the special session still lingers so it is what it is. The other thing that was discussed at the last Board of Regents meeting, where budget was discussed, this was actually on the 7th of April. Discussions were held regarding what was in the budget and what was not in the budget, in terms of items that were included. Mr. Sanchez gave an overview of the Tuition Promise because it is important to know what the Tuition Promise is. There were also a couple of recommendations in that Operating Budget presentation that had to do with increased tuition that people are anxious to hear about. One of them was at 7.5% and one of them was at 5%. Mr. Sanchez is going to show those slides again (attached) so he can refresh everyone's memory to see what those dollar amounts are.

Mr. Sanchez stated he also wanted to mention that historically the College has done quite a bit to reduce expenditures in a number of different areas, eliminated the VP of Advancement position, programs have been closed, El Rito has been brought to a minimal operational level so that the College can again reduce costs. The College reduced administrative staff in particular over the last few years. Travel and professional development have been eliminated with the exception of asking people to the extent that there is money available through the Grants, asking them to lien on those dollars so long as it is legal and applicable within a Grant. The College has reduced supplies, done a lot to try to minimize the Operational Budget. For this reason when Mr. Sanchez presented the budget last time, you did not see anything cut in the Academic area. This is one area the College was going to focus on and invest in that area. It is extremely important if the College is going to be successful that it continues to maintain the level of services that the College has, the faculty the College has and all these things come into play because of the machine the College is operating. This is a business, and Mr. Sanchez knows there are some people who disagree with him when he says this is a business. It operates based on the money the College brings in and to the extent that the College has expenditures, it has to live within the dollars it brings in. So many things the College does in terms of recruitment, advisement, going out and trying to expand the operations in El Rito like Dr. Bailey is trying to do, working with the Santa Fe Community College to see if the College can work out an opportunity for students to come to the College. Again, this is a business.

Mr. Sanchez presented the Proposed Operating Budget (attached). Mr. Sanchez stated he would like to discuss some of the budgeting challenges in FY18. If you compare funding in the upcoming year to what the College had in FY16, the budget has been decreased \$973,900. This is as close to \$1M as you are going to get. You do not operate an organization with that money, this is a business. The fact that the College gets State Appropriation is nice but you can see that the College cannot count on this being the same every year. If you look at FY17, in the current year, when you compare the College to last year, the College saw a reduction of \$718,200. Those are big numbers and the long and short of it is if you are not watching the dollars, if you are not doing things against your revenues, which are part of the business of this institution, you are going to have a very difficult time in terms of choices, trying to make ends meet. There is a special session coming up, the College continues to hear that the likelihood of the College seeing an additional decrease and that is above adding the \$973,900 that the College will see anywhere from 3%-5% decrease. A 1% decrease would be \$105,000 to 3.5% decrease of \$315,000. This is on top of the \$973,900 and those are real dollars and those dollars are what it takes to run the institution, which is a business.

Mr. Sanchez stated there were also increase insurance premiums of 3%. Regent Powers asked if the 3% increase in the employer insurance premiums translates into dollars. Mr. Sanchez stated he does not have the number but he will get it for Regent Powers and premiums are primarily medical premium. They do not just go up for the employer but they also go up for the employee. Regent Martinez asked if the College currently does 70-30. Mr. Sanchez stated if you are under \$15,000, you pick up a greater percentage, Mr. Sanchez believes it is 25% and the more money you make, the less the College picks up. Mr. Sanchez stated it is a graduation reduction in support of the College.

Mr. Sanchez stated in building the Operating Budget:

1. Increased Enrollment Requires Increased Staffing
2. Rising Operating Fixed costs

Mr. Sanchez stated going back to the recommendations that were on the table last time, to refresh the memories of everyone in case they forgot the numbers. There is a 7.5% tuition and fee increase that the College is proposing. There is a portion of students that are on the Tuition Promise. The fact that they are on Tuition Promise means that the College is not going to get 7.5% when the College does the increase. This is

part of the concern that Mr. Sanchez has, he has to ask for 7.5% and all he will get out of it is 5.1% because of the Tuition Promise. If you do the math, on the tuition and fees, this is going to generate about \$180,000. If in a special session, the College gets hit with 3.5% and Mr. Sanchez has to fill a hole of \$1.25M, this is not out of the realm of possibility, that is what you are going to have to contribute to that goal as we go into the current fiscal year and into the next fiscal year. Keep in mind these dollars and these increases arrive with those students going forward.

Mr. Sanchez stated with the 5% increase because there are a number students on the Tuition Promise, if Mr. Sanchez asked for 5% he would only get 3.4%. That 3.4% generates \$119,000 for the institution at a hole of \$1M. This is a business and if you do not have the revenues you need to meet the expenditure dollars that you want to have and the College needs the budgets that it has. The College has gone thin over the years and it is reflective in this Operating Budget, the College is going to go after programs because those are what the College needs to start bringing in the dollars to keep the College on sound financial footing. If you compared \$119,000 to the \$1M the College is already at or the \$1.25M that the College might be at, the only options are to use fund balance, which is cash. Last time, Mr. Sanchez stated if you are living from paycheck to paycheck and you have \$3,600 in the bank, and you want to buy a car and the payment is \$100 a month and you have to finance it for five or six years, after three years, you are leaning on that cash like the College is going to lien on fund balance and what are you going to do if you are living from paycheck to paycheck. You are going to have to do something, do the things you need to do to live with the money you have. In that regard, there is no real difference in running an organization, a financial institution or running an organization like the College. The same principles apply. It is not rocket science in that regard.

Mr. Sanchez stated he looked at using fund balance under two scenarios. Mr. Sanchez stated in discussing this in the Audit/Finance/Facilities meeting, the College had to explore other potential cuts to the institution so that if the choice is for no increase and Mr. Sanchez will do what he is told to do, the long and short of it is, then you have to choose other areas to save I&G money. Mr. Sanchez reviewed items to be cut:

Athletics - \$274,568

Bookstore - \$134,007

Food Services - \$104,391

Furlough (One Week) - \$180,880

Pay Reduction (1%) - \$94,058

In doing this, this is what will occur:

Athletics - Mr. Sanchez would have to eliminate all coaching staff (\$256,714 and 4.00FTE). No staff trainer means increase in liability and insurance cost. It means even men's and women's team sports (JV Basketball; Golf, Cross Country; and Cheer and Dance) would be cut. This also means the College is no longer eligible for the NAIA participation. This is the conference the College competes in because the College would not meet the minimum threshold of teams required to participate in the NAIA. For some people it may not mean a lot for the Athletic Director and to Mr. Sanchez it means a lot because if the College goes down this path, then Mr. Sanchez stated the College would then have to go to the USCAA to ask to be in the conference. What happens is the travel would double because the closest teams are in Arizona, California, Southern Texas and the East Coast. When you look at participation in NAIA or Rocky Mountain Conference, the College is looking at strategically where the costs will be, what they will be and what is the College biting off if it chooses to be in this conference. Cutting out Athletics, changing conferences will cost the

College. The travel costs will double. There is a potential from those seven programs to loose 61 athletes and if an athlete is paying \$4,400 a year and an athlete is a student, just like all the other students, the College could loose \$268,400 in revenue and this will absolutely negatively impact the funding formula and future funding. This is business; the College has a business model that requires the College to look at the institution and how it operates as a business. This is what happens if the College chooses to cut out Athletics.

Regent Martinez asked Ryan Cordova, Men's Coach and Athletic Director what the graduation percentage is of student athletes. Mr. Cordova stated that number will vary year in and year out. It usually fluctuates between 15% and 20% graduation rate per student athlete. That is actually a report Mr. Cordova will get today. This semester, Athletics will have 4 students graduate. Regent Martinez asked if this is within four years. Mr. Cordova stated four-year degrees. Students are required to carry 12 or more credit hours, just to be eligible to participate. The recommendation is that student's carry 15. The FTE, total credit count, they generate close to 1,3000 credit hours in the institution as a whole. Regent Martinez asked if Mr. Cordova has an average GPA for the graduating student athletes. Mr. Cordova stated they have maintained over the last seven years, and it varies every year, but five out of seven years, over a 3.0 GPA. Regent Martinez thanked Mr. Cordova.

Mr. Sanchez stated regarding elimination of the Bookstore if it was cut out. There would be a savings of \$134,007, which is a fair amount of change. The College would eliminate all Bookstore staff, their salaries are \$125,497, students would then be required to order all books online because if you do not have Bookstore, which is a business, an enterprise activity within this institution, people do not have any alternative but to buy books online. There will no longer be supplies available. It will affect student, staff, faculty and the general public that frequents this institution. The College branding will be negatively impacted. There will be a potential loss in enrollment but if people can get these same types of services at other institutions and if the inconvenience weighs on them, there is always the possibility they can say they will go somewhere else. Mr. Sanchez stated since he got to the College, he has said the students who attend the institution deserve the same services and the same things you would get at other Colleges. Mr. Sanchez does not buy lowering the bar for students. Eliminating the Bookstore would have a potential loss of revenue for tuition and fees. Finally it would eliminate basic student service offered at all 4-year institutions.

Mr. Sanchez stated if you eliminate Food Services, the College would save \$104,391. Doing this would eliminate all food services staff, eliminate convenience of on-campus dining, eliminate student-sponsored events that utilize food services, eliminate catering services for all on-campus events. The College has tried in the past, unsuccessfully, in the past to get contractors to provide food services, which is why there is the subsidy of \$104,391. The College does not have the volume at this institution or in the community to sustain a contractor for any length of time; this is why the College has not been able to keep them. Finally, you eliminate the basic service that students enjoy at all 4-year institutions.

Regent Garcia asked how much money the College is funding the food services. Mr. Sanchez stated \$104,391. Regent Garcia asked for how many years they have not been making a profit or breaking even. Mr. Sanchez stated it has never broken even. Regent Garcia stated the College did not have food services when there were 2,000 students at the College. Mr. Sanchez stated he does not know, he was not at the College. Regent Garcia stated the College did not. An audience member replied that the College did have food services. Regent Garcia stated the College had it in El Rito. An audience member replied that it was at the Espanola College as well.

Regent Martinez asked if all these proposed cuts plug a hole for one year. Mr. Sanchez stated this is correct. Regent Martinez stated this is a one-time savings; the College is back at the same issue next year. Mr. Sanchez stated he could show the Board of Regents this on his last slide and he will summarize it for the Board of Regents. Regent Martinez thanked Mr. Sanchez.

Mr. Sanchez stated regarding furloughs, he wanted to remind everyone this was done five or six years ago and it went over like a led balloon but it is an alternative. It is going to affect 102.67 FTE - Staff, Faculty and Students. It is going to affect all employees regardless of funding. It reduces average annual salary for EBR Retirement Benefits. This is not a good thing for those getting ready to retire when you are at the end of your career because if you make less money, it reduces your average and it is going to negatively impact a lot of the College's employees that live from paycheck to paycheck.

Mr. Sanchez stated regarding the pay reduction, 1% that would save the College \$94,058, 2% double that number, 3% even more. It will affect 201.67 FTE - staff faculty and students. It will reduce average salaries for staff, especially those who are getting ready to retire and again it negatively impacts employees in addition to insurance increases. Employees will get less money; insurance premium increases and cost them more.

Mr. Sanchez stated regarding the alternatives (attached) the first column is 0% increase, the College will need \$225,010 from this menu of cuts Mr. Sanchez shared with everyone. Mr. Sanchez stated the College needs \$1,050,010 to balance the Operating Budget. \$825,000 is from fund balance, fund balance is cash. One of the cardinal sins from budgeting is that you never use cash or your current expenditures. If you think about the example of buying the car with cash when you only have enough money in the bank to make payments for three years, because you are living from paycheck to paycheck you are no different, this institution is no different. In a 0% increase you are going to see the College leaning on cash to the tune of \$825,000 and that is regardless if you go with a 5% or 7.5% increase. Mr. Sanchez has to ask for more to get less. The College can still balance it out with the tuition increase and force it out of vacancy savings in the next operating year, keeping positions, doing what the College can again in saving.

Mr. Sanchez stated regarding fund balance, the College saw the auditors report this morning, there is about \$1.4M in fund balance that the College can use, when the smoke clears and the day is over, in the current year to help the College with next years budget. The College also gets to add what it thinks it might save in the current year. That fund balance is from June 30th from the audit. Whatever the College thinks it is going to save this year, Mr. Sanchez can add to this and it helps for next year. Mr. Sanchez stated he thinks the College might save about \$300,000. If he adds this, he should have about \$1.7M to budget in FY18. Take away the \$825,000 in fund balance and now the College is down to \$875,000, take away the required reserve of \$450,000, now it is down to about half and then if the College has a special session and if the number the College is going to get cut takes it from the \$975,000 to the \$1.25M, if that happens and you take that out, that leaves the College with about \$57,000 in fund balance for next year.

Mr. Sanchez stated when the new year starts and the College is doing the budget a year from now for FY19, the College will have \$57,000 and if he didn't have to lien on the reserve, which is required by the State, he would have \$507,000 to fill the hole. If as in this year Mr. Sanchez saves a little money, next years budget, not only is there \$200,000 for his example, that will give him \$707,500 if everything goes the College's way and if the College does not have any unforeseen things happen and if the State's revenues for the following year do not cut the College anymore, but based on what Mr. Sanchez is hearing, the College is expecting another difficult year for the next budget cycle as well. Assuming everything goes great, there will be \$257,000. The problem is when the College goes back to revisit the budget next year, that is \$257,000 the College has, the College has budgeted cash of \$825,000 which goes back to the example of buying a car with cash in the bank. You will see a decrease in the programs to the tune of 6 or more depending on where the cuts are from the State - \$100,000. That is an awful place to be if you are going to ignore the need for cash for this business, this institution is a business, all those things come into play. The scenario for next year is not a pretty scenario. The scenario for this year, the College will take this body punch, no ifs ands or buts about it. It is next year that concerns Mr. Sanchez the most and it is the reality.

Mr. Sanchez stated this is a request for increase in tuition and fees. There are certain fees that the College collects and Mr. Sanchez would like to share what those fees are used for:

BR&R Fee - \$217,000 - the College budgeted about \$260,000 for ER&R and BR&R to keep the buildings fixed, equipment breakdown. This is specifically used for this purpose.

Internal Services - \$68,000 - this operating is easily a \$300,000 operation. The College does not collective enough to fund that amount.

Security - \$22,900 - this does not even cover salary and benefits for one security officer. What it does do for the College is it does give money needed to maintain the security software the College has, to buy uniforms and if there is other incidentals the security staff needs, it helps with that. It does not mean security can always get what it needs or wants but it gives something to help ensure the security services that the College provides to students, public and faculty and staff is there.

Activity Fees - \$68,700

Student Organizations and Student Services (inter-murals, etc.) - \$87,000. This budgeted with the Activity Fee are combined budgets. Again, the College is offsetting this with \$68,700.

Mr. Sanchez stated the costs are not covered in any of these but that there are other fees people are paying (registration, special course fees) that stay in the general fund and those help to fill those holes. One of the biggest criticisms the College has had in years past, when Mr. Sanchez started at the College was that the fees were so underpriced, the College got a lot of criticism from the Legislative Officials about the College is not doing things to help itself. It is not fun and it is not easy to be raising these rates but Mr. Sanchez stated all these have a cost to them. Other fees that are not as specific as these roll in the big pot of fees and tuition and those are the things that help the College to have food services, bookstore, student life, student services. Mr. Sanchez turned everything over to the Board of Regents for questions because he believes he has shared with the Board of Regents what he thinks is important for them to know as they make this decision. One thing Mr. Sanchez wanted to say again is that this is a business; the numbers need to be looked at in that regard. Mr. Sanchez knows there are people who disagree with him about it, but he does not know how else to characterize it as because it is what it is.

Regent Martinez asked if over the past three years, the Higher Education makes up about 12.5% of the State Budget? Mr. Sanchez stated this is correct. Regent Martinez stated over the past three years, the State has cut higher education 44%, they have a pretty good history of cutting every year. Mr. Sanchez stated they do and the other thing is, this is the thing Mr. Sanchez raises, unless you are sitting in a chair that has to worry about it, and Mr. Sanchez has to worry about it. They (Higher Education and the Legislature) are going down the path of shifting more of the burden of tuition and fees to operate an institution to the students. What you see throughout the country is that they generally receive about 40% in State assistance and 60% in tuition and fees and in New Mexico it is the other way around. There is absolutely a moving of the funding in that direction and Mr. Sanchez thinks that by those percentages you can clearly see that they are taking each year a fairly good chunk of funding from Higher Education and essentially shifting the burden to the back of the students and to the back of the institutions.

Regent Powers asked if the numbers provided, in terms of tuition income, reflects a flat enrollment from fall 2017 to fall of 2018. Mr. Sanchez stated this is correct. Regent Powers asked if Mr. Sanchez is assuming the same enrollment in fall of 18. Mr. Sanchez stated he is and he would like to share a concern he has and everyone may not share the concern. The College is starting registration later than he would like it to be. They are starting later because the College had to push off a decision because the College does not know

what this Legislature is going to end up putting on the College's plate. The concern Mr. Sanchez has also is there has been a tremendous amount of media on the issue of no funding for higher education institutions. Mr. Sanchez is worried that is going to affect the College moving forward and of course the embezzlement issue. There are people thinking the College is shutting the doors, the College is not. Mr. Sanchez mentioned that the College is going to take the body blow and it is going to be hard but the College will take it. Watching over expenditures proves this. Mr. Sanchez is concerned about these issues.

Regent Powers asked if with respect to the embezzlement, if these numbers take into account the proposed liability. Mr. Sanchez stated they do. Regent Powers asked if the cash numbers that are showing, take into account the fact that the College has accounted for at least what it knows or what the College thinks it knows is the total amount of that. Mr. Sanchez stated this is correct. Regent Powers asked assuming there is no additional findings, there is no additional embezzlements uncovered during the forensic audit, it is all accounted for. Mr. Sanchez stated it is.

Regent Powers stated Mr. Sanchez shows a couple of line items under vacancy savings and a couple of the scenarios. Regent Powers asked Mr. Sanchez to share roughly what the vacancy rate, the background vacancy rate, the rate that normally occurs from year to year, what the College normally experiences and how they pair to the experience. Mr. Sanchez stated these vacancy rates, he has not calculated the percentages, but there are a few things he needs to say. First of all, if you recall in the current operating year, Mr. Sanchez believes the College went with a 5% vacancy savings; the position the College is at at this point in time makes it extremely difficult for the College to be doing this when it is trying to grow the institution. When you look at the opportunity with Santa Fe Community College, when you look at the opportunities that might present themselves from Planet Athlete, the College cannot in his view, be cutting on these services or staff unnecessarily. They would both be under 2%. Historically, if you are funded at normal levels and Mr. Sanchez does not know how long it has been since the College has been funded at a normal level, you might see savings on the table in your operating budget, and Mr. Sanchez has seen this consistently in budgets for many institutions or organizations of 2%-4% on the table. Much of that comes from vacancy savings from benefits and positions, as they are vacant positions in and out. This is a small percentage that is put in here. Mr. Sanchez really felt strongly that the College needs to get the positions, even at the level it is at. If you talk to almost any program person at the College, the College has lost some pretty big Grants; everybody is pretty thin (advisement, financial aid, recruitment). These are things the College cannot ignore right now to keep those staffed.

Regent Powers asked when Mr. Sanchez was going through the fees, and he knows during the Legislative Session, the College was hit with a comment about one of the fees (Athletic) not being out of line with other four-year institutions in the State. Mr. Powers asked if it would be prudent to look at that particular fee, pull that out and look at that fee and determine whether or not it should be altered or not. The College got a comment on it so it probably deserves an additional level of scrutiny in this process. Mr. Sanchez stated the students pay \$56. In one of the earlier sessions is they reduced the Athletic appropriations, which the College had to fight to get it back by 50% and they said we were not helping ourselves with our fees that low. That is essentially an argument that has been raised every year. To the extent that the College could afford to look at some of these increases, it is an option. Regent Powers is concerned that if it is has been brought up in the past, it has been brought up against this year, he does not want the door open to them to cut funding because of this if it is has been something that has been singled out. If the College has a legitimate reason why it is what it is and it is different than others, then this is all well and good but Regent Powers wants to make sure the College gives it the attention that it should so the College does not do something that might hurt itself down the road.

Mr. Sanchez stated with regard to not just the Athletic fee but just any fee in general. The issue of 0% increase for those on tuition promise, when you have an incoming cohort for this next year, if you do no increase and this is one of the downsides of the Tuition Promise that is the reality of what the College has to live with. If that incoming cohort does not get an increase, they get a bye for four years, they do not have to worry nor does the College get to collect anything from them to contribute to increase costs, reductions in funding, inflation. They get a free ride. For those students who are here that are maintaining their 12-hour credits under the Tuition Promise, they are not affected. The incoming students are affected and who wants to defeat the whole purpose of the spirit of the Tuition Promise. This institution made a commitment and can honor it but we also need to weigh these other issues when thinking about whether the College should or should not do an increase because it has implications.

Regent Powers stated he believes at the last meeting, the Tuition Promise was discussed and it was the Board's intent to completely honor previous promise. To completely honor this, to continue it into this upcoming year and to study it in the next six months and determine what the College will be doing going forward. The College has had some pretty creative ideas going forward on how the program might be adjusted in the future to continue it, maybe not in exactly in the same format that it is in now but at least give protections to incoming students beyond fall 2017 so they have some protection on how much their tuition might be for the entire four year period. Regent Powers stated he detected there was some concern in the Student Senate presentation and he would like to make sure they are aware we are good with the current enrollees and the potential enrollees for the fall.

President Bailey stated that the Board of Regents made the decision at the last meeting; the College has had recruiters this past spring who have mentioned Tuition Promise to prospective students. The Board of Regents decided it would be dishonorable to try to change that at this date and they are honoring this promise as the College moves forward even though the College has to make some sacrifices to make that work but it is the right thing to do. In the coming months, this will be revisited but for students who are entering this year, the Tuition Promise is still valid. Additionally, anyone who is currently in tuition promise is not going to be affected by any discussions about tuition and fees. The last thing is and President Bailey thinks the Board of Regents would be interested in this as well. The point Ms. Bito brought up about a student who is pregnant and is on tuition promise and who needs to take a semester off, these are things the College needs to address. This cannot become a free pass, an honest dialog with the students and Provost and the Dean of Students to come up with a viable plan for how this is adjudicated, this is something that should be explored and brought to the Board of Regents.

President Bailey stated Mr. Sanchez has an impossible job. He has to be the one guy in the room that has to give everyone the stark truth about where the College is and President Bailey does want to say he appreciates what he does because the College needs this voice here. As unpleasant as it is, it has to be addressed as a team. It took about three years to build up this \$1.4M pot in the savings account and the College is blowing through half of it just to operate next year. This is a big deal. President Bailey stated and he thinks he is speaking for most everyone here; all the cuts that have been discussed are unacceptable. Those would have far reaching damaging affects for this institution. To tell people they have to cut salary, because they have not had an increase, all these things are unacceptable in President Bailey's opinion. The College has to look hard on how to raise revenue and make no mistake and the Board of Regents is holding President Bailey to this, part of this is on him, he is the Chief Fundraiser at the College. Terry Mulert, Foundation Director and President Bailey have had some serious talks and said the College does not have another \$800,000 in the bank a year from now so they have to be aggressive at how they find doing that and getting that money. It is way out of balance and it is uncommon for a College to go on a capital campaign to raise money for just operating but that is exactly what the College is going to try to do. The College is going to say ultimately, the College is not going to raise tuition 40% on students so let us find a way to do this on our backs. Let's find a way so we are not pushing this down the students. To be fair, everyone has to play a role, including the

students. This is a discussion that the College should have with the students and students need to have a buy in to this as the College goes into these discussions. President Bailey wants everyone to know and the Board of Regents to know that they should hold him responsible for trying to find other ways to do revenue. The other piece of this is and President Bailey has to give credit to Dr. Lopez and to the rest of the team, the College has been pretty innovative at how to bring new students in. The El Rito project is one thing and the Higher Education Center (HEC) is another, there are some other things the College is doing to try to increase enrollment and that would help the College out of this as well. This is a big climb, we are talking about in order to fill that hole, the College needs another 300 students. Every student matters.

Regent Martinez stated if reducing salaries of faculty is going to be governed by the Collective Bargaining Agreement, so the Board of Regents could not do it unilaterally, which means the College would probably have to RIF faculty, which means there would be accreditation issues. Mr. Sanchez stated absolutely there would be accreditation issues.

Regent Martinez stated with respect to Mr. Sanchez projections of flat enrollment, if you cut Athletics, hypothetically, you do not have flat enrollment because you are going to lose 61 students. Regent Martinez asked Mr. Cordova how many students would be brought in this year. Mr. Cordova stated he would love to speak to this so the Board of Regents can take it off the table. If he gave the Board of Regents some information, it would be easier for the Board of Regents to discuss. This would bring a lot of information to the community that has an interest of the well-being of the College. Mr. Cordova stated a few years ago the Board of Regents made an investment in Athletics. Before 2012 Athletics was actually losing money at Northern New Mexico College. Mr. Sanchez showed a slide of Athletics and having to supplement in the line of \$274,568. That number needs to be looked at and Mr. Cordova understands this is a lot of money, however, this year alone, Athletics brought in \$362,520. If Athletics brought in \$362,520 and Mr. Sanchez is transferring in \$274,568, he asked Regent Martinez what number he would come up. Regent Martinez stated \$87,952. Mr. Cordova stated that is the total net revenue the College gets out of Athletics. The Board of Regents made a commitment a few years ago to add some enrollment based sports and that is exactly what this is. There were 85 athletes in the first semester, 74 student athletes in the second semester. The College lost some but gained some, lost 31 and gained 2 back. This gives the total revenue of \$362,520 just in tuition and fees. Obviously the State allocates through an RPSP \$249,100, the College brings in about \$91,000 in the Athletic Fee as well as about \$22,000 playing guarantee games (NMSU). Those are additional sources of revenue. When you take those it comes out to about \$46,000. When you take transfers in from the Foundation where people have actually given to Athletics, through sales of merchandise, through game sales, through other avenues, it ends up being about \$87,952 that goes right back into I&G or the Operating Fund. In a sense Athletics is very different than the other two auxiliaries as far as Bookstore and Cafe because of the fact that Athletics actually recruits students. There were 85 students in the first semester, 74 directly brought in by this auxiliary. When you talk about making this cut, the Board of Regents could make this cut and Mr. Sanchez has given some good ideas as to why Athletics, or the effects it would have on Athletics. He is talking about reducing that down and only keeping Men's and Women's basketball, you would keep only about 24 student athletes here, you would lose the 61 for an average of about \$268,000. The College would lose about \$268,000 in tuition and fees. That would put the College backwards, the Board of Regents made an investment. This investment has paid off in the long run as far as netting out money. The naysayers that are sitting here speaking over Mr. Cordova's shoulder, which he finds a little bit disrespectful, talking about you, this institution does actually generate revenue, unlike the other four-year institutions in New Mexico, Athletic does generate a net revenue to the College to be able to help with other programs around the College.

Regent Martinez asked if this was 8% of the student population, student athletes. Mr. Cordova stated this is correct and that number has grown, last year it was much higher, the College has lost a few students, they went in another direction. In discussing the financial situation with Mr. Sanchez, Mr. Cordova has already discussed cutting cheer and dance, the numbers are not showing. The other numbers are actually showing a positive net effect on the College. Even looking at it from an enrollment based sport, Mr. Cordova has to specifically look at the areas under his watch and make sure they are productive for the College as a whole, not simply for Ryan Cordova and not for Mr. Sanchez but for the College as a whole. This was Mr. Cordova's intent over the last few years, to be able to provide the opportunity to the College and show the net profit.

Regent Martinez asked if there are any more of the money games next year. Mr. Cordova stated he has had the talk with UNM who just cut their ski program. Their ski program is more than the Colleges entire Athletic budget. The College is in talks with UNM and NMSU. It does not fair well on the win loss column but it is good for the College. Since the College has started doing this in 2012, the College has seen an increase in sports as a whole. Mr. Cordova can appreciate the help they have given to the College. Last year alone, there were more New Mexico signings after the New Mexico State game, more than ever. This year the College has signed a 6'8" player of the year and this is like the Engineering program or Business program got the top students out of any of these high schools. This has never happened. These students usually go to UNM or NMSU. The College has signed the best player in New Mexico for next year. Athletics is making progress, Mr. Cordova knows there tends to be negative talk, the sad thing is the other people in the campus did not know these students pay tuition and fees. They thought they were exempt, these are our own employees and it is a lack of communication. If anyone has questions, they should feel free to talk to Mr. Cordova. Most of the students are 70% financially need based students, which actually takes into their Pell. Mr. Cordova tries to recruit in the State of New Mexico, which actually gives them potentially another \$2,100 through the New Mexico Lottery Scholarship, which then makes the difference they need to make up. If Mr. Cordova can offer a little money through Athletic Scholarship, even if it is \$500 it helps them.

Regent Powers asked roughly what percentage of athletes are paying out of state tuition. Mr. Cordova stated that depends, through financial aid, through the State of New Mexico if you are a student athlete and attend a state school, you are exempt from paying out of State tuition. However, the one thing they are doing is generating revenue to the local economy in the sense that those students are living here. The College started with 70 students living within the community and paying electric bills, buying food and groceries and trying to cook in one kitchen and doing a number of other things. It does help as a community and as a whole it generates a little over \$1.5M to the local economy. It is not only bringing net revenue to the College it is helping our local economy as well.

Dr. Lopez stated right now there are 3 students out of the 1,000 students that are paying out of State tuition. Mr. Cordova stated two of those three are significant others of athletes.

Dr. Lopez stated he would like to make an opinion on the tuition increase because the College sees clearly the negative effects on the other alternatives. Dr. Lopez would like to make the Board of Regents decision harder. There is an element that is not captured in the analysis. The Analysis actually assumes a flat enrollment and in the past report that was done at the Faculty Senate last year, it shows how enrollment has come down. This is not anything new and the Board of Regents knows that it has gone down for several years at the same time that the tuition has increased. That report shows how the College's competitors, because if this is a business, the College does have competitors. The Community Colleges, their enrollment has grown when the Colleges has gone down. It actually shows a comparison of Eastern New Mexico University on how their enrollment has grown and they are the most affordable institution when you compare to the surrounding universities. The element that is missing here, two elements, is a very strong assumption that the College is going to be able to keep a flat enrollment. The reason is that right now the College's public

image has been really damaged with the Audit. Even if this is the recommendation there is a lot of uncertainty because if the College does not keep that enrollment, it is not going to make up the revenue the College needs.

Regent Martinez stated there is uncertainty like this every year but the one thing that is certain is that if the College does not raise fees; the Board of Regents is going to take out the knife or the axe and start chopping stuff. That is a certainty.

Dr. Lopez asked what if the College grows in enrollment. The assumption is a 5% overall increase. It is a 7.5% increase but the College will only get 5.3% or a 5.1% increase and gets a 3.4%. What if the College was going to grow enrollment, every student brings in \$5,000 in revenue and maybe \$1,500 in cost. The College still gets some revenue per student. If the College wanted to grow enrollment it could compensate that piece. Even if this is not the case, the element that is missing is that some of the cuts seen here from the State are actually from the funding formula. The so-called outcome based formula. That is not an outcome based formula because the College is not evaluated with respect to us. They do not evaluate graduation rate or course completion, what they measure is headcounts, how many students complete the course or how many students graduate. The problem is with enrollment going down, even if the College does the best job and has 100% completion rate, the College is still the loser in the funding formula because the College's numbers are not comparable to Highlands, Western or Eastern. That piece of the analysis is not heard. Dr. Lopez verified with Mr. Sanchez and currently the College is losing \$86,000 just in that distribution of the funding formula. Last year the College lost about \$120,000 or \$140,000 so the College has been the big loser on the funding formula because ultimately it is still an input based formula. They are not measuring the institution compared to itself, just headcounts and that is not here in this analysis. Dr. Lopez's concern is that the College should be promoting policies to increase enrollment and if the loss of microeconomics do not fail, supply and demand. Basically this is telling the College if you increase tuition, enrollment is going to go down.

Regent Martinez stated he would not agree with this. He had a long discussion with Dr. Bailey. Regent Martinez stated he recognizes tuition is a motivating factor in sending their children to school. Nobody complains about the tuition at Harvard because whether they are right or wrong they think they are getting the best education on the face of the planet just because of the name - Harvard. So the way to increase tuition is do what you guys have been doing in the programs, which is, knocking it out of the ballpark every time you come. Do what Mr. Cordova is doing which is recruiting the hottest recruit in the State of New Mexico. That is how you increase enrollment. If you do not increase tuition and this is a business, the College would go out of business and then everyone would be looking for jobs. It is the same problem in the State and Federal governments, everybody wants to balance the budget but nobody wants to raise taxes. Regent Martinez looks at it the same way. You cannot fix the problem without raising revenue. You can only cut so far and the College has cut all the way. Regent Martinez appreciates this but you can make statistics do anything you want. As long as the College has the best programs in the region, you are going to attract the best quality students. It does not matter if there is a 5% increase or a 7% increase. If somebody wants to come to one of the programs that have been set up in the past two years, they are going to come to the College because it is the only program in the State that does it and because of the relationship with Los Alamos.

Regent Powers stated in the Eastern New Mexico scenario you are showing comparison to other institutions in that area. Regent Powers thinks the College also has to take into account if it is going to compare tuition to other institutions, our competitor so to speak, and make sure the College is the best value. You have to take into account that there is pressure on those institutions to raise tuition as well. Regent Powers does not think any of the competitors in New Mexico are experiencing anything different than the College is. They are all

trying to figure out how to balance the budgets and in some cases they have cut and cut and cut and have run out of places to cut. Others may still have room. Regent Powers is not aware of anybody else announcing tuition at this point in time but you cannot operate in a vacuum but these forces are at work in other places so they are experiencing the same kind of pressure.

Regent Martinez stated the Board of Regents at Highlands met and discussed a 7.5% increase in tuition. They are deferring until this Friday to make the decision. Regent Martinez would agree with Regent Powers.

Dr. Lopez stated he would like to make another point in terms of the increase. Unfortunately, what the College is seeing, the students that are not coming back, is that students, the College is competing in terms of price because the student that are typically leaving the institution at the lower tuition courses. The College indeed has a strong competition from UNM-LA, UNM-Taos and Santa Fe Community College because these students are leaving the College, enrolling in general education there and hopefully return. A 7% increase here compared to those institutions, again, is having our tuition almost doubles the community colleges. In this sense, price matters.

Regent Powers stated this is a point well taken. Unfortunately, for those lower division courses, the College is competing with community colleges that have a different funding structure and that has a fundamental problem and it is difficult for the College to overcome this. They have a tax base component to their funding, they have a local Mill Levy that is contributing operating dollars as well as State funding. We are in a competitive disadvantage from the word go. Dr. Lopez stated he knows the College is losers in that game. It is a disadvantage that the College has but it is real. Unfortunately, the College cannot just shut down those community colleges and have a local one here. The College is competing with a disadvantage.

Regent Garcia stated she is not going to vote for a 7.5% increase. She cannot do it. Public image, the College is having problems here big time. This is not the time to increase that. Regent Garcia is more worried about the 60% of the College's students that are not eligible for the Tuition Promise. Sixty percent of the College's students are not eligible for the Tuition Promise. Part-time students do not get the Tuition Promise; part-time students do not get any financial aid, lottery, any financial aid. They have to carry it out of their pocket, usually carrying 3-6 hours and usually paying it through their minimum wage jobs. Regent Garcia is worried about those students.

Mr. Cordova stated there were students who approached Richard Sedillo. They had been instructed to speak at this meeting today opposing the tuition increase. With a simple discussion with a couple of students, they asked to be more informed, they did not know anything about a Tuition Promise. They were not informed about it. Mr. Cordova understands we are grown ups and trying to make the best decisions for people. The student's intelligence should not be underestimated. There was a forum with students where they were given a broad overview of how the College was funded, State appropriations, the financial situation the College is in with the Governor right now. Mr. Cordova is privy to a lot of information because he joins President Bailey and Mr. Sanchez in the lobbying for the institution. Mr. Cordova thought it was fair the students be informed. While the students came in a little hesitant and a little upset, just with the discussion at the last Board of Regents meeting and Mr. Cordova was not able to attend. They talked about the tuition increase so that they were given some information that they should come and voice their opinion against the tuition increase. Mr. Cordova asked if the students had the information regarding all of this, they did not. Mr. Cordova tried to give the students his best overview. The Registrar joined Mr. Cordova and gave some real numbers.

By the end of the meeting, the students, they were going to visit with Mr. Cordova and saying there should be a small increase so there is the investment in the institution. While Mr. Cordova is cautious in saying this, the point towards the part-time students and the student who do not receive financial is obviously a point to be made. There are those students on campus that once they were informed, much like in classrooms, they were able to come to their own conclusion and this was the objective with the forum. It was to be able to inform them so that they can make an objective decision on their own. Mr. Cordova wanted to give the Board of Regents this information that students are not running out saying they are increasing tuition. Students are actually going to have that open dialogue. Sandy put together a very nice email from the President's office with information about the tuition promise, who qualifies and how to move forward.

Regent Garcia stated the Board of Regents did not look at scenarios if tuition was only increased 3%. Mr. Sanchez stated he could give the Board of Regents this number. Regent Garcia stated just the cost of living increase. Regent Garcia stated she knows there has to be an increase because then next year it will have to be 7% or 10% and the College cannot chew off more than it can swallow for next year. The College has to worry about next year and the year after but 7% is a lot to take for this year or next year or the year after that.

Regent DeHerrera asked if there is a place people can go online for tuition and fees and the Tuition Promise. President Bailey stated it is on the website and it will stay on there.

Mr. Cordova stated the Legislature made it very clear for next year, they made it equally grim for next year and Mr. Cordova would hate to the students see it, personally, to see it double time next year. They will not look favorably on this either.

Regent DeHerrera stated her take on Athletics is Mr. Cordova is already (inaudible). This is a small athletic community, that is one thing that the College has to think about. All the cuts that were presented, they cannot be taken away. The College cannot take away the Bookstore or the Cafe.

Mr. Sanchez stated the overall operational budget for the Bookstore is around \$250,000. Even though this is not just the Bookstore, even though the College would reduce those dollars in I&G they have earned some of the money and they have reduced some of those transfers over the last four or five years. They are doing better but they do not make enough but take away the subsidies and it is almost always salaries so you would close the Bookstore.

Regent Martinez asked Mr. Sanchez if the College does something less than 5% or 7%, perhaps 3% does this put the College in a position next year in light of the history of reduced funding, would Mr. Sanchez come back and say he needs 14% in one whack. Mr. Sanchez stated if the College were to go with 3%, the net would be about 2%, which would be about \$71,706. The point Mr. Sanchez is trying to make is any contribution is better than a poke in the eye with a sharp stick. The hole that the College will have next year will be a big hole. There is no way to avoid it. Regent Martinez asked if there is just going to be a Band-Aid on it and next year it will be ripped of and really hurt. Mr. Sanchez stated this is a good analogy but what it does is it gives the College time to plan. Mr. Sanchez stated he cannot concede the College just dealing with the Band-Aid approach at the end of the year. The College would have to plan and make some very hard decisions now as the College gets through the fall. The Academic side of the house would have their own discussions. Mr. Sanchez could not personally point to areas that he would be willing guess or even make a recommendation that would have to come the Provost and President. In terms of what the College is going to have to do, it is going to effect, students, administration and academics. This contribution is better than nothing.

Regent Garcia stated she would like to yield to anybody in the audience that would have any brilliant ideas that the College could have its cake and eat it to. Liz Abeyta, Adult Education program stated she has a question if Regent Powers mentioned that other institutions throughout the State are facing the same challenges. Does the College know what they are doing in line with that and that might make it okay. President Bailey stated the Council of University Presidents (CUP) met and it is a shell game, no one wants to be first to say what they are doing. Every institution, not just the seven, four year schools, every higher education institution in the State it taking to the Board some option for a tuition increase. There was an article about a month ago that NMSU had considered up to 30%. A dollar at NMSU is different than a dollar at NNMC so the College is sensitive to that.

Kathleen Sena, Registrar and Dean of Students stated she does not have the silver bullet and she understands the concern of everybody at the meeting. She was at a meeting last week and Jacob Pacheco, Financial Aid Director was also at a different meeting but they have also heard that Financial Aid in the State is going to be affected. The Lottery is going to be affected so there is potentially less money coming to the students in relationship to the Lottery, the tuition increase will create additional burden because the students will have to come up with the difference and the College has not done the calculations because the College does not know because the Higher Education Department (HED) has not given the College the calculations. They are also waiting for what the Legislature is going to do. State Board spending is going to be affected, everyone has listened to what is going on on the Federal Level, the expectation that there will potentially be some effect on the Pell Grant and that there will be some effect on Federal Work Study. There is nobody that has that silver bullet to be able to figure out what it is that we can do, it is just that we know that with just these couple of additional comments made and projections made, our students and students across the State of New Mexico. Everybody is going to get it and we just have a couple of things that are in the ballpark right now, some of the things that are in the media and expectations of us that are going to make it difficult for us. Ms. Sena stated she speaks from the standpoint of trying to recruit these students. Coach Cordova recruits for the College. His JV program is an enrollment avenue that he has spoken to, he has looked after, and he has modeled after Adams State. All of those things are helpful but we took a 7% increase in enrollment last fall and we have said it before and the President has acknowledged it for us, we have worked hard to get that 7% increase. We are dealing with a staff that is tired; the College has done as many phonathons that it can do. The only thing the College has not done is go to their homes to be able to encourage the students to understand the value of the education they are getting at the College.

Ms. Sena stated the College recently did a phonathon and the College was calling students who did not come back. The students were happy with their academic program. Where the College failed them in some senses was in student services. In some of the things the College did not have available. The College did not have academic advisors. This week that four people are stepping up to the plate to help the advisement center. Registration is opening on Wednesday and there are four people who are committed not to what is done on a daily basis but what needs to be done for students. There has been comment about food services in the fact that there is a contingency of students who come in the evening who have no services available to them in that sense. The Bookstore closes at 5:00PM. When talking about some of these things, what would it take, Ms. Sena does not know. Where does it come from? Ms. Sena does not know.

Ms. Sena stated she understands Mr. Sanchez presentation. It is just that we have to think about it a little different than what NMSU does, what UNM does and potentially what Easter, Western, San Juan and Santa Fe Community College does because our community is different. No silver bullet, just more issues on the table.

Carmella Sanchez, Institutional Research Director stated if the College could possibly explore perhaps something similar to what the labs do where they every other Friday off. This is for savings of utilities and perhaps this would offset a little bit. Another thing that is really nice but maybe charging for parking permits to maintain some of the capital expenditures as well.

Regent Garcia likes the every other Friday. Regent Martinez stated that is essentially a furlough. Regent DeHerrera stated the way the lab offsets them is they do the 9-hour days.

President Bailey stated these are challenging times. Clearly there is no easy answer because if there were an easy answer, someone would have made it by now. President Bailey stated there might be a germ of an idea out there and we have to solve this together and that means putting all heads together to come up with it. Nothing is off the table. Carmella's idea will be considered, everything will be considered. The College is going to get through this year. No matter what the Board decides today, the College will get through it. The challenge is next year and nothing is off the table. The College is talking about getting every person involved in a capital campaign. Anything is possible.

Regent Powers stated he would like to suggest executing the plan that the President establish some sort of process by which people could submit ideas to the President. There may be some ideas but people may reluctant to give them in front of a large crowd. Perhaps some way to devise a plan to receive those ideas, evaluate them and bring them to the proper venues to be vetted for future use. President Bailey will work with Communications and Marketing to get an online repository for ideas and form a committee and review them and bring them to the Board of Regents. Regent Powers stated some of these may be able to be implemented on the go in the course of business and some may be done in a specific time period. If there is something that could be done immediately it should be done.

Regent Garcia stated she would like to hear Regent DeHerrera's position. Regent DeHerrera deferred to Tony Ortiz, attorney for NNMC as he had a comment for the Board of Regents.

Tony Ortiz, counsel for NNMC stated he has had some discussions with educational entities in Santa Fe and they have been talking about fundraising and avenues for ongoing revenue as opposed to one shot deals, one-time donors. Mr. Ortiz will discuss this further with President Bailey.

Regent DeHerrera stated she thinks the College could pull it off. President Bailey has been out and about. We need to get as much as we can and capitalize on it. Get as much as we can on our own. President Bailey has done a good job on pursuing that path. It is in here but Regent DeHerrera does not know what the Board of Regents is going to do with them, in-state tuition. If the College could offer an in-state tuition scholarship that would help. The tuition, as a student, the numbers are not going to give a big boost, as Mr. Sanchez stated something better than nothing. It is going to hurt. Those that are paying out of pocket. Everybody paying out of pocket is who it is going to hurt. Regent DeHerrera does not foresee this but does not know where else to go from there. The College is going off the "if" again, if this happens, if we do not get the money. The College could go off faith as well and say you know what, hopefully they don't and it does not happen. With these other avenues the College has, it could boost the College more.

Regent Garcia stated she thinks everybody is going to need to take the hit. Faculty, staff, students, administration, everybody and we are just going to have to; everybody is going to have to put in something. Regent DeHerrera stated faculty and staff; them more than anybody do not need to take a hit. The pay scale here is bad.

Regent Garcia stated her suggestion is a 3% increase so that way next year it will not be a 7%, 10%, 20% increase. Regent Martinez stated next year is probably going to be a 14%, 15%, 17% increase. Regent DeHerrera stated it is also possible that it is not. Regent Martinez asked Mr. Sanchez if he could figure 10% hypothetically and when a budget finally comes out, the College could shave back tuition second semester. Instead of 7.5% today for the fall semester, but if funding comes through, if Dr. Bailey can find someone with a fat wallet, can the College then lower the tuition second semester or spring semester. Mr. Sanchez stated the Board of Regents could do whatever it wants but it would not be practical. Once the horse is out of the barn, in terms of tuition and setup on Banner, it makes it difficult to do that, not impossible but very difficult. You have also had the recruiters going to out recruiting. Regent Garcia asked about those people with the Tuition Promise, would they be offered the higher rate?

Mr. Koetter stated the Board of Regents mentioned the PR and raising tuition and this is another huge PR disaster. What if the College did the opposite? The law of microeconomics. If you decrease costs, more people come. It looks good. People like us more. This is more ifs and maybes. What if the College had some more student life, what if students had a say in what happens to tuition. This would give students some power and have Mr. Sanchez give this same presentation to a room full of students and have them decide. Do they want to raise the tuition and fees? Regent Martinez stated that was today, they should have been here today. Regent Garcia stated it is too late. Regent DeHerrera asked what Mr. Koetter's opinion is. Mr. Koetter stated he does not have a voice that carries over well. Something obviously needs to happen. Whether it goes up or down, down really is not an option. It is something to think about, if you are looking at a 7.5% increase, the College did something a few years ago and look what happened. This is because of the hard work that everyone did. If you do that again, you are going to ask for more work. It is not feasible. Some sort of increase is needed but 7.5% is too much and everyone knows that.

Regent Martinez asked Mr. Sanchez what the actual dollar amount is on 7.5% then on 5%. Mr. Sanchez stated 7.5% increase is 5.1% and that is \$180,000. Regent Martinez asked for individual student. Mr. Sanchez stated under the 5% scenario it would cost students \$9.50 more per credit hour and at 7.5% it would cost students \$14.25 per credit hour. Regent Martinez stated it would be \$228.00 on the 5% and \$342.00 for 7.5% per year for a full time student. Regent Martinez asked what it would be per credit hour. Mr. Sanchez stated per credit hour, it is \$9.50 per credit hour. Regent Martinez stated it would be \$27.00 per class because most classes are 3 credit hours. Mr. Sanchez stated if the fees were increased they would be credited. None of the fees Mr. Sanchez mentioned today cover the costs of those activities.

The Board of Regents recessed from 12:10PM and reconvened at 12:40PM.

Regent Garcia asked for the wishes of the Board. Regent Martinez deferred his time to Regent Powers who has been on the Board of Regents longer than Regent Martinez. Regent Garcia asked for Regent Powers wishes. Regent Powers stated his wish is that it would all go away and its not. We have been dealt a hand that is not a good hand. Regent Powers thinks to complicate matters beyond all the numbers, the fact that the College lost a lot of State funding, lost enrollment, the College is competing with some two year schools in the area that get funded quite different than the College. That compounds the problem. This is something that can be addressed but it is probably four or five years. Regent Powers understands the need to generate some additional revenue. The only reason there are options is the fact the College has a fund balance to allocate to part of the hole that the College is looking at next year. Regent Powers hates to cannibalize that fund balance because that fund balance has allowed the College to operate more effectively than it could back in the days when the College had no fund balance. The Board of Regents has been provided the option for; it is really not an option, a 0% tuition increase, a 5% tuition increase and a 7.5% increase. The finance guy in Regent Powers says the Board of Regents should go with the 7.5% increase but the arguments Regents Powers is hearing against the tuition increase are pretty strong and effective but Regent Powers stated the College has to do something from a tuition increase to contribute toward the whole. Regent Powers does not

thinks the College can just budget the fund balance and worry about what it is going to do the following year. Whatever the College is doing the following year, the Board of Regents is just kicking the can down there and he does not think the Board of Regents can do that. Given the three scenarios on the table, Regent Powers' preference would be to go with the 5% increase. Regent Powers thinks this is going to be less than most of the increases that will be seen out there. Regent Powers knows it is going to have a negative impact and it may cause some people to changing their mind about coming to school at the College. If they are not looking at it in a vacuum, if they have other options, the other options, they are going to be going to other ones. Regent Powers stated he is concerned about the fees as well. Regent Powers is concerned about the fees as well. What has been done here is to raise tuition and fees 5%. Regent Powers stated he thinks it is too late in the game to be able to go and evaluate all those fees independently but he thinks the College needs to do this before the discussion is held next year. Specifically the Athletic fees since it was singled out at the State level. Regent Powers does have thoughts about that and is not sure the College could be compared apples to apples with NMSU and UNM. Regent Powers would like to see what the Athletic fees are at NM Tech because if he is not mistaken, NM Tech does not have any interscholastic sports, they are all intermural sports. Regent Powers does not know if they have an athletic fee. It may all be rolled into the activity fee but he would like to have a complete study of those fees and how they compare to others and what others are doing so the College can make sure it is noncompetitive. Regent Powers stated his thought is 5% is not desirable, it is acceptable.

Regent Martinez stated he would like to say he does not want to raise tuition and fees but, using the terms widgets, they are whatever you want them to be in law school. It is a product that is made. Regent Garcia stated they are used in business as well. Regent Martinez stated we sell a widget and it is an education. The College cannot sell a widget that costs \$5.00 to make for \$3.00. That is how you go out of business. It is really hard for Regent Martinez to look at the numbers and not see that the College needs an increase. The other thing is, everybody on the Board of Regents and everybody in the room has been a college student at one point or another. It is not lost on Regent Martinez what the cost per credit hour is, whether it be \$114 more a semester. Regent Martinez understands the problems that rise with students who, especially the population of students the College has; he does not think the College has any trust fund students who do not have to worry about the bottom line every month. It is a sacrifice that every student has to make. That is the cost to better yourself, sometimes you have to go to College and it is going to cost a little more money. Regent Martinez is also really hesitant to start spending the fund balance when the College has worked so hard to get where it is. Before Regent Martinez was on the Board of Regents the College was getting dinged consistently on that. Regent Martinez does not really see any other options because cutting salary for staff is a nonstarter. Cutting salary for faculty is also a nonstarter because you loose a lot of talented people that way. Cutting services is a nonstarter and cutting Athletics is a nonstarter. The only thing Regent Martinez can see is to continue to watch the, count the beans as they say, to make sure the College is spending below what it has in the bank but also raise revenue and the only way Regent Martinez sees to raise revenue is to raise tuition. Regent Martinez differs slightly from Regent Powers in that if Mr. Sanchez says the College needs 7.5% and the lawyer tells the Board of Regents not to do something and the Board of Regents goes against what the lawyer tells the Board of Regents not to do. Regent Martinez stated he would be in favor of a 7.5%, he doubts that will ever happen but he would like to let everybody know. Regent Martinez would also like to let everybody know that the embezzlement that occurred, that raising tuition has absolutely nothing to do with what that individuals did within the Business Office. The Board of Regents is not sitting at the meeting trying to make up the difference because somebody stole money; they are sitting at the meeting trying to make up the difference so the College can run the school.

Regent Garcia asked Regent DeHerrera for her proposal. Regent DeHerrera stated she does not agree with an increase. She knows the College is hurting but there are other avenues and paths that the College has started pursuing and she thinks with the other options and ideas that the College has had, HEC and other paths that Dr. Bailey has started pursuing, Regent DeHerrera thinks that it would be possible and she knows everyone is saying that eventually the College is going to take a heat, that is not for sure thinking. You cannot base everything on that path and later on down the line. Regent DeHerrera stated if they do not increase there might be a boost in recruitment by all the other schools if they jump their tuition and the College does not. The College is still here and it did not raise the tuition, it is possible, the College may get a big jump on enrollment on just that. Regent DeHerrera stated she does not, and she understands as parent and paying for her tuition and her daughter's tuition she can see what the addition would be and she honestly does not think it would be that hurtful but that is her situation. Regent DeHerrera does not know the other situations; a lot have to make it work paycheck to pay check and pay out of pocket. Regent DeHerrera stated she does not want to compromise that.

Regent Garcia stated she would not agree to a 7.5% increase. She cannot do that. Regent Garcia stated she could probably go 3% or 4%, no higher than that. Not increasing it would be another option because everything is ifs and buts through this whole budget. It is still ifs and buts no matter what. Regent Garcia asked the Board of Regents for a motion.

Regent DeHerrera moved to not raise the tuition.

Regent Powers stated he would love to be able to hold tuition and fees where they are but he thinks it would be irresponsible to just turn our heads on this. Regent Powers stated he hopes the Board of Regents is pleasantly surprised. He hopes something happens and the College comes out better at the State level but knowing what he knows he does not think this is real.

Regent Powers proposed that the Board of Regent raise tuition 4.5%. Second - Regent Martinez.

Regent Powers stated it is not going to produce what the 5% did but it will be closer. Regent Garcia asked what happens if there is a deadlock. Regent Martinez stated the Board of Regents gets to blame it on the Governor. Regent Garcia asked if there was no tuition increase. Regent Martinez stated if there is no tuition increase, the administration bleeds the fund balance dry and next year somebody is going to move to raise tuition 20%. Doomsday, worst possible thing that could happen. Regent Powers stated keep in mind if the College did not have the fund balance this year and the Board of Regents could not get a vote on raising tuition, the College would have to cut probably 10 positions or more just to balance the budget because the College could not submit a balance that is unbalanced. Mr. Sanchez stated it would have been more than 10 positions. Regent Martinez asked where those positions would come from. Mr. Sanchez stated pretty much everywhere. The College would have to have a very in depth discussion from every aspect of the College. Regent Powers stated hopefully the Board of Regents could get to some agreement, hopefully the Board of Regents could use some of the input it received today and some of the input you are going to get in the future to work on things that may be able to reduce costs in ways that do not impact the delivery program to the students. In fact, it may even result in some improvements. Regent Powers stated he has heard there are some other four year institutions around the State that are looking at going to a four day weeks to reduce costs and going to more online courses to reduce costs. This is another thing, that is not something that the College can do overnight but certainly for the long haul could be done. President Bailey stated the College is building this now. Regent DeHerrera asked if this is part of HEC that they have been talking about as well. President Bailey stated it is.

Regent Garcia stated there is a motion and a second on the floor. **Regent Powers moved that the Board of Regent raise tuition 4.5%. Second - Regent Martinez. Roll Call Vote: Regent DeHerrera - no, Regent Powers - yes, Regent Martinez - yes, Regent Garcia stated it is going to be an unpopular vote but if we want to keep the institution going she has to vote yes. Motion passed.**

Regent Powers stated he would like to reiterate the comment made by Regent Martinez that the College needs to make sure the facts about the embezzlement, when it occurred, how it impacted the College and the fact that this tuition increase has nothing to do with this and has everything to do with the cascading effects of the State funding cuts on the institution. The College has to make sure, maybe the College can put together a one page document with a couple of bullet points on it that could be distributed to potential students and current students that sum that up so they can get their arms around it quickly.

Regent Garcia stated the Board of Regents would need to move one of the Agenda items up which is Faculty Handbook Legal Review. Regent Garcia thanked the Board of Regents for everything; she stated she knows it was tough for all of the Board of Regents

3. Fiscal Watch Report

Mr. Sanchez reviewed the Fiscal Watch Reports (attached). These documents were discussed at the Audit/Finance/Facilities Committee. At the end of March, cash is at approximately \$2M and unrestricted fund balance is approximately \$2.5M.

Mr. Sanchez stated regarding yearly activity, the College has \$18.9M in revenue and these are all funds that the College has. The College is at about 76% of the revenue and about 75% lapsed. In terms of expenditures, the College is at \$17.5M so the College has spent about 70% of the budget and the College is about three quarters in. Net transfers, collective fund balance of all funds; the College is at \$15.M. Regarding capital related activities, at the end of March, revenue year to date is \$2.1M, expenditures \$2.2M and fund balance is a negative \$3,000. Last year at this time, the College had seen some very low numbers in terms of expenditures. Mr. Sanchez kept telling everybody and it is reflected in this \$2.1M amount that the College would be spending down all appropriations. Right now it is still looking like the construction will finish at the end of the month. The College will then only have one GO Bond to get on the runway so the College can start spending and that was the \$1M that was approved in November. The College pretty cleared its plate of the appropriations. This was very important because during the legislative session they were sweeping everything. There was a \$60,000 amount that went to the Farmer's Market, they swept that and the College got it back. The College needed to make sure that it did not go away. It has already been contracted. It was already contracted when they took it away from the College. The College just had to prove all it had done and all the reason why, now, with the environment that exists, the College needs to spend the money as it gets it. The College is moving on this.

Regent Powers stated this was discussed at length at the Audit/Finance/Facilities Committee meeting. **Regent Powers moved for approval of the Fiscal Watch Reports as presented. Second - Regent Martinez. Motion passed unanimously.**

4. Monthly Budget Adjustment Requests (BARs)

Mr. Sanchez stated regarding the Budget Adjustment Requests (BARs), there are five BARs that the College is asking for approval. To date there are 239 processed BARs and that is almost half of what has been seen in the past years and the reason the number has gone down so much is everybody is doing a much better job of budgeting. The College has actual expenditures and history now that allows the College to work closely in line with different line items so the Board of Regents is not seeing the volume.

Regent Powers stated the BARs were also discussed at length in the Audit/Finance/Facilities Committee and this is a good indication and tied into the fact that the one audit finding was removed from the list of findings because the College is doing a much better job of tying the budget to actuals together. Mr. Sanchez stated also because the College, in days past, the College did not have a fund balance to lien on so it could be a little more conservative on expenditures. The College could not essentially put in bigger numbers than it wanted to kind of give itself a buffer. Now the College was able to do so. Another benefit of having a fund balance. Regent Powers asked if the College cannibalizes the fund balance it will make it more difficult. Mr. Sanchez stated it will.

Regent Powers moved for approval of the BARs as presented. Second - Regent Martinez. Motion passed unanimously.

5. Disposition of College Property

None.

6. Rental Agreement for portions of El Rito Campus

President Bailey stated he would make the recommendation that A6 and B1 be tabled to a later meeting until the College can give the Board of Regents better clarity. Regent Garcia stated she is concerned about timing and if it is going to hold the College up a lot. Regent Martinez stated it is held up for the foreseeable future. This was discussed ad nauseam in the Audit/Finance/Facilities Committee Meeting and there are some big issues with respect to the contract, with respect to the due diligence on the company. There is a potential that the College could get black eye if it moves forward with this if it is not vetted properly. Regent Garcia stated the College does not need any more black eyes. Regent Powers stated in the interest of being conservative and being as thorough as possible, the Committee spent a couple of hours on this particular agreement and it is understood pretty well right now and there is more work that needs to be done.

President Bailey stated there are a couple of things that the subcommittee gave in terms of homework for the College to go through, to provide some information and a couple of issues and the goal is once there is more clarity then to try to either reconvene a study session of the Board of Regents or to make the decision not to move forward. Regent Garcia asked if it is not happening at all. President Bailey stated from his perspective he does not think the College is at a place where it is definitely not going to happen but at a place where the Board of Regents needs a little better granularity of information in order to make an informed decision. That is on the College to make sure the work is being done to give the Board of Regents what it needs to make an educated decision.

Regent Powers stated, speaking as one Regent, not as the Board, he still thinks it is a great idea and the concept makes a lot of sense, it does a lot of things for the College. We just have to make sure it is done right. There are a lot of different angles you have to look at these things from and the College is doing it right now and Regent Powers is confident that the College and Board of Regents will arrive at the correct answer, whatever it may be but it will be the right answer.

President Bailey stated to Regent Garcia's point, it is critical, if the College is to try to move forward with this this year, the College has a matter of weeks to try to hammer this out. This is at the top of President Bailey's list of things to do.

7. Capital Outlay 5-Year Plan

Mr. Sanchez resented the Capital Projects Five-Year Plan. Every year the College brings this to the Board of Regents and it has to be submitted for approval by June 1, 2017. Last year, the College presented this exact five-year plan and went to Capital Outlay Hearings in Farmington and the College was told there was no money but they still wanted to hear our plans. During the session, there still was not any money and the College did not get anything from Capital Outlay. This will be coming up for a GO Bond referendum again and the College will go submit this again. It will go to the Capital Outlay Committee presentations in August. If the College gets anything in August they will bring that forward in the recommendation Capital Outlay committee makes to the Legislature. Hopefully, the College will then get a recommendation from HED supporting. If they give the College all the approvals going into session, the Legislature will approve it and it will go to vote next November. With that Mr. Sanchez identified the amounts and let the Board of Regents for approval but if there are changes for some reason, it will be brought to the Board of Regents. Mr. Sanchez stated the priorities are:

1. Joseph M. Montoya-General Education Building Renovations, Phase III

2. Metal/Trades/College of Business Architectural and Planning, Phase I. The College has asked for approximately \$100,000 to start the architect planning of the College of Business and bringing it on main campus where the Buildings and Grounds Department is. The College has been talking about this for a few years, about moving the Buildings and Grounds Department to the old Auto Tech area. There are a some activities over there right now; Engineering has some equipment in that building. If this is still an interest, this will be kept in the plan.

Mr. Sanchez stated on the plan is Student Housing. The College is not asking for any money on student housing but if it is not included in the plan and if a donor came and gave the College \$12.5M, the College would still need to have it in the plan. The College wants to continue to keep it in the plan so the College does not have to catch up in the event something starts to work in the College's favor on housing.

In FY20 if the design for the College of Business was done, the College would be asking for the second phase of \$5M to do the College of Business, Phase II.

In FY 21 the College is asking for Athletic Facility Expansion, \$1.5M. This is for expanding of the racquetball court, expansion of the weight room and additional office space.

In FY22 the College is asking for Property Acquisition of \$2M. The College is trying to see if it could purchase more property because at some point if the College is expanding to athletic fields or at some point down the road for another gym because the current gym will become an activity center. There will be a point in time, especially if there are dorms on campus, that it is going to be very crowded so the College is planning ahead down the road.

In FY23, the College is asking for \$1.5M for El Rito Campus Improvements. The College is anticipating it will take a while in doing what needs to be done to cultivate some activity. The College is giving itself in the plan to do this but if there is a point in time these things are starting to materialize, the College really needs to make a more meaningful investment in El Rito.

Also in FY23 there is an additional \$2M for property acquisitions.

Mr. Sanchez stated there was also discussion regarding an Early Childhood Development Center perhaps adjacent to the Education Building. In part of this property acquisition, not that there is an interest in it being sold to the College, there is property by the Education Building and the College views this as prime for parking or a facility. Again, the College does not know if the owners have an interest in selling it down the road but the College needs to be looking at this if the College is going to be seriously exploring this.

Regent Garcia thanked Mr. Sanchez and asked the Board of Regents for an action.

Regent Powers moved to approve the Capital Projects Plan as presented. Second - Regent Martinez. Motion passed unanimously.

B. Provost & Vice President for Academic Affairs

1. In-State Tuition Scholarship

This item was tabled until a later date.

2. Faculty Handbook Legal Review

Tony Ortiz, Esq., Ortiz & Zamora thanked the Board of Regents for giving him the opportunity to speak to the Board of Regents. If the Board of Regents recalls several months ago Mr. Ortiz had some marching orders to have a look at the Faculty Handbook and to do that as an alignment effort with the existing Collective Bargaining Agreement policy to try to figure out how all these things work. The problem that Mr. Ortiz is trying to solve is when there is an issue such as discipline of a faculty member, if you have three different documents all saying different things about what should be done and what the process is then it is unfair not only to the College because it is not quite sure how to manage it, how to respond, but it is unfair to the employee because they are not quite sure what they are supposed to do either. Mr. Ortiz mission was one of clarity in hope of adding some clarity to this process by aligning these things. Not exactly an exciting job but what happened and extending his gratitude to Mr. Sanchez and Dr. Lopez Hurtado and the others who worked on initial revisions, it was very helpful to Mr. Ortiz and there was a lot of productive work done in there.

Mr. Ortiz introduced Ms. Gabby Stewart of Ortiz & Zamora who did some of the initial review and that is why she is at the Board of Regents meeting in case there were some questions on some of the work she did. This past week Mr. Ortiz sent the Board of Regents an attorney/client privilege document to help (inaudible) some of those changes. At this meeting, Mr. Ortiz does not want to go over the full 90 pages, Mr. Ortiz would like to outline for the Board of Regents what he sees as the two or three main changes he made in line with Regent Martinez directive to tell the Board of Regents the three or four things that really matter. Give the Board of Regents three or four main changes and then Mr. Ortiz would like to ask for a subcommittee of the Board of Regents made up of whoever feels motivated to work with Mr. Ortiz and Ms. Stewart to essentially take this starting place document and move it essentially a second reading so that there is something that could be brought to the Board of Regents and say they feel pretty good about this document. Mr. Ortiz would also like the Board of Regents to know that he has taken the step of working, and he has offered it to Donna Castro, Human Resources Director because Mr. Ortiz wants her to get input as well because it touches on this area pretty strongly. Mr. Ortiz stated he would like to outline his two or three changes and then talk about a committee of the Board of Regents.

Mr. Ortiz stated the first change and one of the important changes made to the Faculty Handbook is to outline what its role is. The Board of Regents may recall from the last meeting with Mr. Ortiz, he talked about this issue with the Board of Regents, there is a hierarchy of authority within the documents. It starts with what Mr. Ortiz calls College Policy, the Board of Regents policies, this is where you start with internal provisions and then you have a Collective Bargaining Agreement (CBA), you go in, you sit, you negotiate a deal with the Faculty Union about what are the things that are going work with both sides and those are agreed upon deals. They are contractual. Below that sits the Faculty Handbook. The Faculty Handbook is designed to clarify some of the CBA Agreements, some of the more academic area types of agreements and outlines the procedures for the College. It is not designed to be a new contract or a second CBA. It is designed to clarify and add and hopefully give some clarity. One of the main changes Mr. Ortiz made with the Faculty Handbook is he outlined what its role is. The Board of Regents will see it says this is not designed to be contractual. The Faculty Handbook takes a secondary role to the CBA. The CBA will always trump if there is a conflict between the two. The CBA is negotiated and contractual. This role is clarified through the document. If there is any conflict, if there is any problem, the CBA is always going to take precedence so you cannot put things in the Faculty Handbook that conflict with the CBA. You cannot do it, you cannot expand upon the CBA, you cannot use it as another way to bargain for things you have already discussed in the CBA.

Mr. Ortiz stated the second change; this is really the meat of what you will see. One of the areas of concern that Mr. Ortiz, as the College's counsel has had over the years is the lack of clarity and conflict. Mr. Ortiz went in and outlined various faculty positions, he has made clear where there is a continuing right to employment such as a tenured faculty member. This means from year to year, they have a right to expect to continue in that position unless there is just cause. They have that continuing right to employment. However, there are other positions, for example and this is truly a great example of how this has gotten confused. They have a definition of provisional employee. From Mr. Ortiz experience, provisional employee means you are on a trial period; you are here to see if you fit, you are here to see if there is a need within the College that you meet. Until you get past that provisional period, the College has the right to part ways for any legal reason, a provisional employee. The Faculty Handbook had gone the extra step of saying of saying everybody in any position gets a full blown hearing, even a provisional employees, which was contradictory. The bottom line is Mr. Ortiz went through each position and said this one has a continuing right to employment or this one does not. Mr. Ortiz thinks that that clarity is good for the Board of Regents, good for the College and it is good for the expectations of the employees so everybody knows what rules they are playing by. Mr. Ortiz stated along with a number of cosmetic changes, some great changes made to the substance of the academic areas, led by the Provost, Mr. Ortiz thinks there is a good starting place to this document. Mr. Ortiz stood for questions from the Board of Regents.

Mr. Ortiz asked Regent Garcia if there are ideas about whom she would like on the standing committee. Mr. Ortiz would like it to be small, a couple of people he can work with and send this to who are invested and interested and would like to take the time to work with Mr. Ortiz and Ms. Stewart. Regent Martinez asked if Mr. Ortiz wants to meet with one of the committees of the Board of Regents as well. Mr. Ortiz stated he would like to have potentially an ad hoc committee; it does not have to be an existing committee. Mr. Ortiz stated he would actually like to have Regent Martinez. Regent Garcia stated she was going to suggest this, one person, because the Board of Regents is going to be down to three Board members at the end of May. If there is more than one it will be a quorum. Mr. Ortiz asked Regent Martinez if he is willing to serve on the committee. Regent Martinez stated he would do it. Mr. Ortiz stated he was thinking they could meet remotely. He will send dates for meetings he is thinking about to start content. Regent Martinez stated if they need to meet a little bit closer, they could meet the day before one of the times he is at the College. Mr. Ortiz stated Mr. Sanchez and Provost Lopez have spent a lot of time on this as well and thinks the administration should have a role in this as well. The idea is to roll this out and once they have a finished document they move on to the next piece and talk about it. This is not designed to be, this committee comes out and gives something from the top of the mountain and this is the end of the process, this is going to be this is what we

think it is. Mr. Ortiz asked President Bailey whom else he would like on the committee. President Bailey stated this will be discussed because they will talk about faculty senate as well. Mr. Ortiz stated he and President Bailey will discuss it later. Regent Martinez thanked Mr. Ortiz and Ms. Stewart for their attendance at the meeting.

Regent DeHerrera asked about the renovation at the Farmers Market. Mr. Sanchez stated he had mentioned that during the session they had taken away the appropriation and the College got it back. The money will be used for a bathroom and to the extent there is enough; they are going to try to do something with parking. There might not be enough after they do the bathroom, it might be that they just get the big logs. They are already starting the project.

3. Honorary Degree

Dr. Martinez stated it is his honor to recommend Gilberto Romero to be awarded the Honorary Degree in May. Mr. Romero was nominated by Professor Annabelle X Sisneros to the Faculty Senate who approved the recommendation and both President Bailey and Dr. Lopez are recommending to approve this recommendation. Mr. Romero, age 72 has been an advocate for mentally ill people in Northern New Mexico and has received several awards. In recent years, he has been a volunteer with the College and is common for universities and colleges to award honorary degrees to people who have contributed to the community. This is the case with Mr. Romero. This will be an academic degree in Humanities. Regent Garcia asked if Mr. Romero was in attendance. Dr. Lopez stated he is not.

President Bailey stated he would like to second the nomination and he apologized for Professor Sisneros not being in attendance. She is in attendance at the Nursing Program recruiting by hospitals. Professor Sisneros is involved in this.

Regent DeHerrera moved to approved approval of the honorary degree for Mr. Gilberto Degree to be honored in May of 2017. Motion passed unanimously.

III. EXECUTIVE SESSION

Regent Martinez moved to enter into Executive Session to discuss limited personnel matters pursuant to NMSA Section 10-15-1 specifically those matters found in the Final Agenda related to Limited Personnel Matters, the Director of Finance position, budget and litigation update. Second - Regent DeHerrera. Roll Call Vote: Regent DeHerrera - yes, Regent Powers - yes, Regent Garcia - yes, Regent Martinez - yes.

A Roll Call vote was taken (Regent DeHerrera – yes, Regent Garcia – yes, Regent Powers – yes, Regent Martinez - yes). The Board of Regents entered into Executive Session 1:40PM.

IV. POSSIBLE ACTION ON EXECUTIVE SESSION

Regent Martinez moved to return from Executive Session and to enter into Regular Session and stated the only matters that were those that were on the Agenda that are allowed to be discussed in closed session. Second – Regent Powers. Roll Call Vote: Regent Martinez - yes, Regent Powers - yes, Regent - Martinez - yes, Regent DeHerrera - yes. Motion passed unanimously. The Board of Regents returned from Executive Session at 2:47PM.

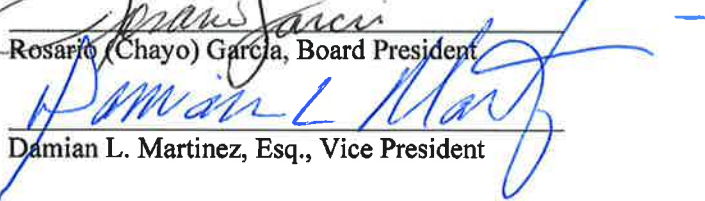
X. ADJOURNMENT

Regent DeHerrera moved to adjourn. Second – Regent Powers. The Board of Regents Meeting adjourned at 2:47PM.

APPROVED:



Rosario (Chayo) Garcia, Board President



Damian L. Martinez, Esq., Vice President