



**Philanthropy Study Committee:
Meeting Minutes
Friday, January 6, 2012**

Attendees:

Co-Chair - Gary Gordon Chair, UNM Foundation Board of Trustees	
UNM Board of Regent Representatives:	Lt. General Bradley Hosmer, USAF (Ret.) - Regent (by phone) Jacob Wellman - Student Regent
UNMF Board of Trustees Representatives:	Gerald Landgraf - Chair, Finance Committee Anne Yegge - Past Board Chair
UNM Deans:	Richard Howell - Dean, College of Education Mark Peceny - Dean, College of Arts and Sciences
UNM Staff:	Andrew Cullen - Associate Vice President, Planning, Budget and Analysis
HSC Representatives:	Nancy Ridenour - Dean, College of Nursing Ava Lovell - Vice President of Finance, HSC
UNM Faculty Senate Representative:	Tim Ross - President
UNM Foundation:	Henry Nemcik - President and CEO
UNM Foundation Staff	Curtis Helsel, Rod Harder, Sandy Liggett, Larry Ryan, Bill Uher, Wendy Antonio, Suzanne Awen

Proceedings and Presentations

Welcome and Opening Comments - Gary Gordon, Committee Co-Chair

I appreciate your attendance and participation. Regent Fortner is not able to attend today. Regent Hosmer is attending via telephone conferencing. Henry will give opening comments for today's meeting and introduce our presenters.

Opening Comments - Henry Nemcik, President and CEO, UNM Foundation

The materials for the meetings are on the website (<http://unmfund.org/philanthropy-study-committee>). At the last meeting on 12/9/11, David Bass from AGB and Paul Robell from the University of Florida were our presenters. In the draft minutes for that meeting (which are a part of your packet under tab A) we have tried to capture the important points and ideas from the presentations by bolding the text. The goal of this exercise is to use those highlighted points and other relevant data to help build our recommendations for our final report to the Regents. Please look over the minutes and let us know any changes, additions, and/or clarifications you may have. We will incorporate your edits and put forth the amended minutes for the Committee to vote into the record at the next meeting on Friday, February 3, 2012. For those who are not able to attend, the minutes will also serve as a good summary to stay current with our proceedings.

To refresh from our last meeting, David Bass's presentation focused on general funding models, why universities started development programs and current trends. **We learned that state support for public higher education institutions was 80% in the 1960s, 50% in the 1980s and today somewhere around 13%-14%. It is expected that this percentage will continue to decline.**

Paul Robell, former Vice President of Development and Alumni Affairs at the University of Florida, spoke to us about his experiences and the growth of private funding at University of Florida. In answering several important questions posed by one of the Committee members on **how do we fund development**, Paul's response was ". . . any way you can. . ." **After much discussion on this subject we decided as a group that there is no one funding model for development.**

Today Rick Lawrence from the University of Colorado Foundation will present their history and funding model. Later on I will present data that other foundation financial officers have collected and the current funding model and budget for the UNM Foundation. Cara Quackenbush will begin the presentations with some information about herself and follow with some background on her company, Eduventures. She will then present survey data collected from several similar institutions some of which will be shown in comparison with similar data from the UNM Foundation.

Development Officer Return on Investment Study Analysis - Cara A. Quackenbush, Program Manager and Senior Analyst Eduventures - Research and Consulting for Higher Education

Eduventures is a Research and Consulting Company based in Boston focusing exclusively on higher education. The company works in various areas of higher education. The presenter works in the development area. The UNM Foundation is a member of the Development and Learning Collaborative. There are 65 members in the Development and Learning Collaborative. The goal of the consortium is to share information and best practices. **The data in this presentation is from 2008, 2010 and 2011.** The focus of the presentation is on return on investment.

(A committee member asked how many reporting institutions were in the groups. The response was 42 in the data used from 2008 for presenting a general view of the metrics, and 8 in the cohort using data from FY2010 to compare with the UNM FY2011 data. There will be 50-60 responses in the data being analyzed for the Spring 2011 report.

In addition, the same committee member asked if the data was characterized by makeup with an affirmative response from the presenter).

There are 3 major groups of factors influencing return on investment: - Institutional Factors, Staff Factors and Donor Factors. The focus of today's presentation is on Institutional Factors of which program maturity and investment are most important in looking at on return on investment.

There are many metrics used to measure return on investment. **A common measurement is cost to raise a dollar.** However, this is just one of many metrics that should be used to get an in depth analysis of performance. Other important metrics are dollars raised per frontline officer, dollars raised per budget dollar, department investment per area, ratio of frontline staff per services staff FTE, ratio of donors to alumni base, ratio of rated prospects to alumni base and average gift size.

High level results from the survey of 42 institutions in 2008 were presented in the categories of Total Dollars Raised, Total Advancement Budget, Total Advancement FTE and Total Frontline FTE. The data was sorted by groupings of annual dollars raised with the comparative data for UNM falling in the \$55 million to \$99.9 million level. The averages for this level were \$70 million raised with a budget of \$10.6 million, raised by a total of 90 FTE Advancement Staff and of those 28 were frontline FTE. Further, dollars raised per Advancement FTE were \$770k, dollars raised per frontline FTE were \$2.11 million and dollars raised per total budget dollar were \$6.61. To achieve higher fundraising levels major gifts and unit frontline officers grow dramatically to support prospect cultivation. A baseline investment in services areas are needed to support the growth of frontline staff. Though estimates vary based on position of officers in the organization, approximately 3 support staff are needed for each development officer.

The data used in comparison to the UNM metrics were taken from the FY2010 benchmarks from a cohort of 8 peer and aspirant universities - Rutgers University Foundation, Texas A&M Foundation, University of Connecticut Foundation, Inc., University of Iowa Foundation, University of Tennessee-System, University of Cincinnati Foundation, University of Maryland-College Park and University of Oregon.

Summary of key findings in the 8 member cohort of peer and aspirational institutions data set FY2010:

1. Increased investments over time in budget and staff produce higher fundraising totals.
2. Efficiencies in fundraising can be a result of positive factors such as the quality of the donor base and/or staff productivity, but can also be a result of under investment in programs that produce more long term results which will negatively impact future revenue streams.
3. On average, frontline FTE make up nearly 40% of the total advancement FTE in this comparison group, slightly more than the 33% indicated for the larger survey of the same metric in 2007.
4. Despite budget constraints institutions are continuing to invest in advancement staff and move forward with campaigns.

Metric comparisons of UNM Foundation FY2011 data to FY2010 8 member cohort:

1. Total Annual Dollars Raised - UNMF - \$83 million+ to cohort \$95 million+ median
2. Total Advancement Budget - UNMF - \$9.4 million+ to cohort \$13.5 million+ median
3. Dollars Raised per Budget Dollar - UNMF - \$8.78 to cohort \$6.46 median
4. Frontline FTE as a percentage of Total Advancement Staff (including admin) - UNMF - 29.5% to cohort 38% median.

5. Dollars Raised per Frontline FTE - UNMF - \$3.3 million+ to cohort \$1.8 million+

In terms of investments in more long range fundraising areas, the UNM Foundation in comparison with the cohort is less invested in the areas of annual giving, planned giving and principal gifts and more invested in the major gifts areas. Even though Foundation investment in this area is proportionately higher, the Foundation still has less than average frontline major gifts officers.

(The comment was made that though reducing budget for these long term initiatives served the short run budgetary goal, we were in effect "eating our seed corn" which would negatively impact future revenues. Therefore we are supporting short term returns at the expense of long term returns. This impacts the optimal stable growth of the overall fundraising program.

(b) Via email a Committee member stated that the presentation makes the point nicely that the areas of our underfunding impact the future more heavily than current or next year. It is the belief of this Committee member that the Committee's final proposal will need to make this point strongly).

Overall UNM has significantly fewer service area staff relative to peers (a question was raised concerning the marginally higher number of staff in the "Other Service Area" category and if some of these positions could be shifted. It should be noted that this was not a granular analysis of the data. This more in depth analysis will be available in Spring 2012. A general discussion of the allocation of available resources to optimize short and long term revenues followed.

(a) It was noted in a Committee member email that pie charts with percentage sectors can be misleading so solid conclusions would require actual numbers to analyze. However, important differences revealed in the charts are the lesser investments UNM is making in IT, Research and Stewardship and Events.

(e) Further email comment was that the question is raised as to what is the optimal ratio of support staff to development officers. A slide presenting this and also the dollar amount of optimal support compensation needed for each development officer should be created if possible because one part of what the Committee recommends should be metrics on how to achieve optimal balance, while building strength, and clearly representing how efficiently and effectively our Foundation budget is spent. (f) We should also look at compensation and incentive structure in comparison to external local and national standards to inform the Committee's recommendation on budget assistance (note: the Foundation routinely gets this information for its Compensation Committee and will make those reports available to this Committee as needed). This comparison will demonstrate that the Foundation will be using carefully and responsibly whatever budget assistance is recommended by this Committee.)

The UNM prospect base relative to the cohort showed a slightly higher donor to total alumni ratio and nearly twice the average gift size. However the prospects rated \$25K and \$500K were significantly lower than the peer group. This supports the need for additional research staff to improve the numbers of identified rated donors. The comparison group raised 26% more from their alumni pool than did the University of New Mexico in FY2011. Presenter observations on the UNM Foundation's fundraising by budget area were as follows:

Currently the Foundation budget allocates 6% more of its total budget to major gifts and 1% more to CFR proportionately than does the comparison group. This results in less budget allocation to the long term areas of annual giving, planned giving and principal gifts. In addition, relative to peers, UNM is investing less in research, stewardship and events, and marketing.

Key Takeaway: UNM's high productivity metrics may be an indication of under-investment in certain activities that could impact the success of its fundraising program in future years.

Despite deep cuts facing many public universities, 44% of the institutions in this comparison group plan to add additional FTE during FY2011 or FY2012.

(The comment was made by a Committee member that one of the goals for this committee was to make recommendations that would help to create a strong partnership between the university and the foundation that would result in planning for multiyear stability).

University of Colorado Foundation History and Organizational Structure - Richard W. Lawrence - Executive Vice President and COO University of Colorado Foundation

The University of Colorado is governed by their Board of Regents. **The 9 Regents are elected whereas at UNM the Regents are appointed.** UC opened on 9/5/1877. The UC Foundation started in 1967. The current UC budget is \$2.8 billion with the state contribution only 5.7% of total funding. The UC Foundation transferred \$98.4 million in private support in FY2011. UC has 4 campuses, the Boulder campus being comparable in student body numbers to UNM. The mission of the UC Foundation is to raise, manage and invest private support for the benefit of the UC. There are currently 206 staff members, 78 in development. The major expense for the UC Foundation is in salaries, "fundraising is a people business".

UC made the decision to maintain investments in long term initiatives during tight budget periods given their opinion that you either invest in the maintenance or the recovery of these long term areas. Further, even given returns adjusted with present value calculations, planned giving is the most efficient fundraising initiative with a cost of \$.08 to raise a dollar.

(c) (A Committee member commented via email that this was an important point not much emphasized, that even translated into present value terms, planned giving pays bigger returns for development investment than other areas. In addition, the suggestion was made to include in the Committee recommendations an analysis of investments in each area, with present value adjustments where necessary, to look at the return on investment in each area (a 2.5% rate or other long-term fact based real rate of interest should be used in the present value calculation). (d) A cash based version of this analysis should also be included).

The UC Endowment is approximately \$750 million. The Investment Committee oversees policies and provides fiduciary oversight, while the investment function is outsourced. The UC has a separate 501(c)(3) for real estate holdings. The Unrestricted Net Assets (unaudited 10/31/11) totaled \$65 million+. These funds are used as capital for economic downturns and for expansion opportunities. **The UC Foundation holds monies to be distributed to the University until the expenditure is requested and earns a short-term interest rate of 3% on those "callable" funds.** The fee (DFA) on the endowment is 1.35% or 135 bps. They consider going above this amount to negatively impact gift requests. They do not have a gift fee as they feel this also has negative impact on fundraising.

(A general discussion among the Committee members followed this information with specific comments as follows:

- finding the way to create sustainable funding is most important*
- there is an inverse relationship between endowment size and bps*
- there is value in being able to say there is no gift fee*
- discretionary dollars make the difference; raising money is a legitimate use of university funds)*

In terms of Revenue Exposure at the UC Foundation, direct support from the University is expected to experience increasing future constraints, fees (DFA) from the LTIP provide more than half of budget revenues which are subject to negative impact due to market volatilities, STIP balances are projected to be stable but if the callable fund balance shrinks this would result in a budget shortfall. Currently the cost to raise a dollar is \$.216.

(A Committee member asked, ". . . how did the UC Foundation build the unrestricted fund. . .? The response was over time with a portion of the annual budget allocated to the fund).

University of New Mexico Foundation Funding Model - Henry Nemcik, President and CEO

How does the Foundation raise money? The President's strategic plan filters to the UNMF. The funds raised go for the most part to scholarships. **UNM Endowment composition indicates that scholarships & fellowships form the largest portion of the endowment (\$168M of the total \$324M).** We would like to see more fundraising for chairs and professorships. This would help to reduce budget pressures by supporting faculty.

We reviewed a slide on the historical & future growth of UNM alumni. **This shows that there is significant growth in alumni and major gift prospects in the class years '50-'90.** The current campaign is focusing on alumni going back from 1974. A stable growth-focused funding for the Foundation allows more extensive cultivation of the

growing alumni pool as we go forward providing the foundation for future successful campaigns and fundraising. The potential for identifying important donors will increase. Successful realization of that potential is a long term process. (Comment: *This demonstrates that development decisions need to be long-term in nature. We have to be prepared in the next campaign to have appropriate staffing to maximize the potential of these new prospects*).

(A Committee member asked for a definition of alumni. The response was that presently it would include undergraduates and graduate students. We could expand the definition to include students that have never graduated but did complete a certain number of semesters. This would increase the pool. However, we would still need the staff and budget to work the expanded database which we do not have at this time. A comment was made by a Committee member describing a new software that was being used by his school to track college, post graduate and job experience data on students to create an in depth career portfolio. This kind of software would be useful in following alumni and identifying donors. A discussion followed noting that this software has been used in alumni groups and would be useful for Duffy Swann in his new position as President of the Alumni Relations Board. Currently the cost annually for the UNM school using the software is \$10,000 per year with the students paying \$125. The cost would decrease per unit if spread over a collaborative of schools).

A chart was presented showing the impact of adding one additional development officer to the Foundation staff each year for ten years. The projection indicates a cumulative benefit - net of salary, benefits and travel and cultivation- of almost \$48 million. Rod Harder presented the current funding model for the Foundation. The majority of revenues at 65.4% of the total budget come from the Development Funding Allocation (DFA - currently 1.85% or 185bps). Other revenues include Institutional Support - 12.8%, Short Term Interest - 7.9%, Cost sharing Agreements - 6.0%, Unrestricted Gifts - 1.6% and Reserve Funds - 6.3%. An examination of revenue exposures indicates significant negative pressures on several sources. The DFA percentage will decrease in the near future, Institutional Support has decreased and may continue that trend, though Short Term Interest was budgeted at \$744K, the current projection for the year is \$144K, and given the requirements for a \$1 million balance in reserves, this will no longer be a revenue source at the end of FY2012 when usage at the projected rate will bring the balance to \$1.2 million. In summary, the DFA from endowments is short \$200K, short term interest from UNM is down by \$600K from projections, for a total shortfall of \$800K. Fiscal data from peer institutions shows that most have institutional support ranging from 35%-50%, versus UNMF's 19% total institutional support for development operations. Nemcik stated that action on budget shortfalls by mid to late March will be necessary to avoid workforce reduction, as staffing is almost 80% of the Foundation's budget. The Foundation made a recommendation to the University Finance Office to follow a model used by most other Universities that would allow the Foundation to hold and transfer as needed short-term funds allowing for a higher investment return than current policy permits at UNM. This model was discussed by Florida and Colorado during their presentations.

(Committee member comments were as follows:

- *NOTE: Members Cullen and Lovell questioned the \$72K in short term interest shown in the budget slide as received by UNMF through December '11. This figure was verified as correct by Cullen and Lovell after the meeting, and this result is tied to lower than anticipated yields on investments (the following was requested at the 2/3/12 meeting as an update to these minutes: thanks to President Elect Robert Frank, President Schmidly and University leadership, the anticipated shortfall in investment income has been resolved for the Foundation's 2011-2012 budget year. The University will allocate all funds earning income designated for the Foundation to a global bond portfolio, thus increasing the yield significantly, fully meeting revenue requirements through June 30, 2012).*
- *Currently the UNM Foundation has no "callable" fund balances as the University of Colorado Foundation. Funds are disbursed directly to the University where the investments of those funds are limited by state statute. An effort to review these statutes and how they apply to these particular funds has been undertaken by the University financial officers. However, no agreement has been reached on what if any higher yield strategy can be implemented. We should change our stance on I&G funding and look at the UNM Foundation as an investment opportunity.*

- *Given the present budget constraints, the UNMF will have to reduce staff and then not be able to complete the campaign.*
- *The decision to reduce the UNMF budget was not unanimous.*
- *Given the decline in the University's funding and the return on investment realized by investing in the Foundation, we need to invest more in fundraising.*
- *(g and h) An important goal of the Committee has to be to recommend a sustainable funding model. Achieving a sustainable model will likely take the form of a funding/build-up/transition plan over a number of years, with near-term and long-term goals carefully distinguished. It is instructive to look at UNM and the Foundation as a single entity, and distinguish between funds flows into the whole, and funds flows between the parts.*
- Any staff reductions will immediately negatively affect fundraising capacity of the organization.

Closing Comments, Discussion and Planning

It was decided that no further presentations would be needed. The Committee now has the information necessary to formulate recommendations and generate a report. The next meeting on February 3, 2012 will be used to produce a working document for final review and approval. In the interim, Rod and Henry will develop several funding models based on principals and metrics discussed in previous meetings and current university budgeting guidelines. The models will project outcomes at various levels of investment in each funding source. The information will be forwarded to the Committee members for review and recommendations. The models and recommendations compiled from the Committee's responses will be presented as draft documents for further discussion and editing at the February meeting.

BENCHMARKING

The Committee will benchmark other institutions, both peer and aspirational, and evaluate the size and scope of the peers' development operations and funding mechanisms

EVALUATING

Drawing from the evaluation, the Committee will evaluate UNM's philanthropic effort, encompassing staffing, funding, and design of philanthropic efforts going forward.

REPORTING

A report with recommendations will be presented to the UNM Board of Regents and the UNM Foundation Board of Trustees by June 30, 2012.