



Philanthropy Study Committee:

Meeting Minutes

Friday, December 9, 2011

Attendees:

	Co-Chair - Jack Fortner, President - UNM Board of Regents
	Co-Chair - Gary Gordon Chair, UNM Foundation Board of Trustees
UNM Board of Regent Representatives:	Lt. General Bradley Hosmer, USAF (Ret.) - Regent 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, Raquel Rodrigues

Proceedings and Presentations

Review of Charge - Jack Fortner, Committee Co-Chair

The charge to this committee is to make recommendations for maximizing fundraising support at UNM. The importance of fundraising has been emphasized with the candidates in the UNM Presidential search and as other funding sources are negatively impacted by current economic conditions, fundraising support will become an increasingly important revenue source in maintaining the core mission at UNM.

Review of Charge - Gary Gordon, Committee Co-Chair

It would be appreciated that the main focus of this committee be on funding.

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

There are many foundations, each built on certain principles and evolving within their own unique culture to become what they are today. Our first presenter, David Bass from the Association of Governing Boards, will provide information and trends on 180 foundations, both national and international, with which his organization works. Paul Robell will follow with a presentation on the evolution of the University of Florida Foundation. Sandy Liggett will begin with a brief discussion of the history of the UNM Foundation.

History of the UNM Foundation

The UNM Foundation has been a separate legal entity created to raise private funds and hold specific assets since 1979. In 1989 the Board of Regents delegated the responsibility of overseeing and managing the investment of the University's assets to the UNMF Investment Committee. These assets in combination with the Foundation assets total in excess of \$340 million today. The Foundation operations were handled within the University through the Advancement Department and the unit development officers until 2009 at which time the Foundation began the process of becoming a stand-alone organization.

In addition to the UNM Foundation, there are 13 other affiliated 501(c)3 organizations within the University that carry on more focused fundraising work with the Anderson Foundation and the Lobo Club raising the highest dollar amount. The UNM Foundation provides direct services to many of these organizations. Fiscal services include acceptance and management of endowments, gift acknowledgements, preparation of the aggregate report on giving and management of some funds and/or accounts. Other services include maintenance of the donor alumni database, electronic communication to donors and alumni, stewardship of donors through special events and planned giving services.

In transitioning to the stand-alone organization in 2009-2010 at the request of the Regents, the majority of the employees in the University Advancement Department became employees of the UNM Foundation. The Board of the

Foundation expanded their fiduciary duties to include fiscal, human resources and treasury functions. The Foundation developed a focused management system that is based on metrics driven performance specific to fundraising with administrative/support efforts focused on essential support for the development process. **The majority of personnel costs have been shifted to the Foundation budget as of FY11-12.** Foundation revenues include University funds, the DFA (Development Funding Allocation), Short term interest and Foundation reserves. In FY07-08, University funding provided the largest amount of revenue to the Foundation budget. However, given the impact of economic conditions on University funds over the intervening years, the DFA has become the largest source of revenue as of FY11-12. The majority of operating costs have been transferred to the Foundation as of FY11-12. The current capital campaign began in FY06/07.

The UNM Foundation President reports to the UNM Board of Trustees. The President has direct reports of seven leadership positions. There are presently 84 staff, 17 of which are UNM employees. This number is down 8 staff members in the last 2 years. The central Foundation department activities include Annual Giving, Communications, Corporate and Foundation Relations, Donor Relations, Gift and Data Integrity Processing, Finance and Accounting, Human Resources, IT, Planned Giving and Prospect Research. There are 25 development officers embedded in University colleges, units and the Health Sciences Center. The staff is well educated, highly professional with an average age of 46 and a good retention history. Prospect research is done by only two staff members. The closure rate on donor proposals has been good.

National Perspectives on Types of Foundation and Foundation Funding Models - David Bass, Director of Foundation Programs and Research - Association of Governing Boards

The percentage of state provided support to public colleges and universities has dropped from 46% in 1980 to 27% in 2005 and is expected to continue to decline, while tuition has increased from 13% to 18% with private support at an average of 8.5%. Private support has been growing and becoming more important as economic conditions change. Private fund raising of major gifts is a long term process with up to 15 years in cultivating a major gift solicitation. Planned giving is an important focus in gift flows.

The idea that private fundraising provided a "margin for excellence" is now outmoded as private fundraising is providing an increasingly important role "beyond the margin of excellence".

Transparency and a long term perspective can provide good accounting of the costs of fundraising as well as managing a good long term return on investment. The retention of development officers is critical to maintain a successful flow of gifts.

Foundation assets need to be around \$750 million to \$1 billion in order to produce the income for a foundation to be fully independent. There are pros and cons for each different revenue stream available to foundations (Institutional Support, Unrestricted Gifts, Gifts Restricted to Foundation, Short Term Interest, Endowment Fee, Gift Fees and Real Estate). The revenue model for UNM should be the one that would best serve the funding and growth patterns of the University.

Centralized oversight and coordination enhances performance of development officers, performance criteria improves, and a critical focus of senior management becomes identifying and building top performers.

Foundation Board members contribute a proportionately large percentage of total support.

Committee Member Discussion points:

We need to determine where we are, where we want to be and how best to get there.

Bottom line - the Foundation exists to support the University. A seamless, transparent partnership between the University and the Foundation is very important to success.

What is the benchmark on the ratio of development officers to staff?

From the Beginning to Maturity of a Foundation - Paul Robell, Assistant to the President - Philanthropy and Donor Relations (previously Vice President of Development and Alumni Affairs, 1/1995 - 6/2010) - University of Florida

An important exercise for this committee is looking at the effects of decline in state support, tuition increases, grant increases and entrepreneurial activities. The royalties from the development of Gatorade at the University of Florida are a good example of successful funds inflow from entrepreneurial activities.

The first campaign at the University of Florida, "Embrace Excellence", raised \$392.6 million with 25-30 development officers in the time period 1986-1990. The state match was helpful in exceeding the original campaign goal of \$200-\$250 million.

The second campaign, "It's Performance That Counts", raised a total of \$850 million with 40 development officers and an original goal of \$500-\$750 million from 1997-2000.

The current campaign, "Florida Tomorrow" began in 2005 and will run until 2012. The campaign goal of \$1.2 billion-\$1.5 billion. To date \$1.45 billion has been raised with a total of 74 development officers. There has been no state match in this campaign.

The next planned campaign, "Florida Next" will run from GY2014-2015 with 9 new development officers and a goal of \$225 million to include 10+ Principal Gifts of \$5 million+. The long term goal of this campaign is to raise the current level of fundraising annually to the \$225 million or more.

(The question was raised by a committee member as to how those kinds of numbers could be achieved at UNM given New Mexico's smaller financial base. The response from the presenter was to go regional and develop a donor base outside of New Mexico.)

The University of Florida is a central/decentralized hybrid. Planned Giving, CFR, Gift Processing, Legal Services, Principal Gifts, Prospect Research and Real Estate are centralized. The development officers are embedded in the colleges, schools and units. **The Foundation relationship with the Deans has been the key to successful fundraising. The Deans participate in fundraising and pay for a portion of the development officer's salary.** This is a good buy-in strategy for the Deans as they have "skin in the game" as does the Foundation. Evaluations are written on every development officer and discussed in a joint meeting with the appropriate Dean. The Foundation coordinates on goals, performance and strategies for handling shared prospects. Goals are established with the long term nature of gift cultivation and solicitation taken into account for new development officers. **It is important that a development officer has a good ask rate.**

(A committee member asked several related questions about the return on investment expected for development officers, the relationship between funds raised and the costs of raising funds, and budgeting for those costs. A discussion addressing the implicit and explicit assumptions in the questions resulted in the following response from the presenter.)

Our goal is for experienced development officers to raise at least an average of \$2 million per year. It takes approximately two to four years for a development officer to raise that level of funds. Investment in development officers includes not only their salaries, but also staff support, administration, travel and other related costs. The funds raised by development officers are not used to pay their salaries and other expenses. There is no direct relationship to funds raised and budgeted funds required to pay fundraising costs. Each institution must determine its own best way to pay for development costs given their unique situation over the long term.

(A committee member commented that his understanding is that a development officer should raise at least six to ten times their salary annually. The presenter concurred. Another comment was made that the maturity of the organization and the relationships already established are an important factor impacting return on investment **Further, a committee member stated that the question should not be how many development officers do we need, rather how are we going to pay for them, which the presenter emphatically affirmed.**)

The University of Florida distribution rate is 3.8%; the Foundation receives 1.3%; the total budget is \$40 million with \$12 million in cost sharing. The Gift Fee is 2.5%, but does not provide a significant portion of the budget.

Strategic investments in the fundraising process fall in two main categories - reviewing college leadership in terms of vision, clear priorities (the role of private gifts) and time spent on fundraising and expanding the college development program with senior fundraisers, time spent on fundraising and working the donor pool potential.

(An University of Florida informational piece, "Because of You" was shown to the Committee.)

Closing Comments, Discussion and Planning

Henry Nemcik's closing comments were:

The goal of this meeting was to get an overview on other great fundraising institutions. The format used in the meeting will be used in future meetings if the Committee is in agreement.

The funding for the UNM Foundation will be discussed in the next meeting as well as a discussion on return on investment by Eduventures and another university presentation.

The Committee was asked for input and/or discussion.

Committee Discussion and Input:

The question was asked as to the role of the Board of Regents in the investment and distribution process. The response from Paul Robell was that investments at the University of Florida were handled by the University of Florida Investment Company.

A general discussion of open records issues in relation to foundations followed. Though the University of Florida Foundation has been able to protect donor anonymity so far, there have been various challenges in other states testing open records with varied success.

The meeting was adjourned. The next meeting will be on Friday, January 6, 2012, 9:00am-12:00pm in the McCorkle Room, 2nd Floor Student Services Building.

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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.