

# UCCSN Board of Regents' Meeting Minutes August 5-6, 1983

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BOARD OF REGENTS

UNIVERSITY OF NEVADA SYSTEM

August 5, 1983

The Board of Regents met on the above date in a special meeting in the Alumni Room, Student Union, University of Nevada, Reno, and 399 Carlson Education building, University of Nevada, Las Vegas, via telephonic hookup.

Members present: Mr. John R. Mc Bride, Chairman

Ms. Frankie Sue Del Papa

Mrs. Lilly Fong

Mrs. Dorothy S. Gallagher

Mr. Chris Karamanos

Mr. Daniel J. Klaich

Mrs. Jo Ann Sheerin

Mrs. June F. Whitley

Members absent: Joan Kenney

Others present: Mr. Mark Dawson, Vice Chancellor

Mr. Donald Klasic, General Counsel

Ms. Mary Lou Moser, Secretary

The meeting was called to order by Chairman Mc Bride at 3:02 P.M.

1. Approval to Appoint Investment Bankers as Co-Managers for Refunding Certain Outstanding Revenue Bonds

At their March 16-17, 1983 meeting, the Board of Regents authorized the refunding of the outstanding Bonds of the University's Reno Campus, Las Vegas Campus and the University System. There are 12 total issues to be refunded:

5 UNR issues, 5 UNLV issues and 2 System issues. The System issues came about by the cross pledging of revenue to retire the debt.

There are several purposes for the refunding. First, there will be a dollar savings by retiring some of these issues sooner than the planned maturity dates. Second, these issues are supported from student revenues that are cross

pledged between the two Campuses necessitating an on-going audit requirement that is needlessly cumbersome and expensive, but required to properly manage these issues. Third, the reserve funds required in the bond indentures for each of these 12 issues have left both Campuses with no flexibility to issue new debt for capital projects. These reserve funds amounting to approximately \$1.8 million on the Reno Campus and approximately \$1.8 million on the Las Vegas Campus will be freed up for the use on each Campus as deemed best.

In addition, the 1983 Legislature through SB 410 authorized bonds to be issued not to exceed \$5 million for construction of the Church Fine Arts addition on the Reno Campus. Without the refunding of the 12 outstanding issues this new bond issue would not be possible.

Requests for proposals to refund the outstanding issues were submitted to 15 national and regional underwriting firms with 9 firms responding.

A review committee comprised of Herman Westfall, Vice President for Business Affairs, UNLV, Ashok Dhingra, Vice President for Finance and Administration, UNR, Regent Dan Klaich

and Mark Dawson, Vice Chancellor for Finance and Administration, reviewed the 9 proposals with assistance of Stanton Colton of Prudential-Bache Securities, Burrows-Smith Division.

Vice Chancellor Dawson recommended that the firm of E. F. Hutton be approved as Senior Manager with Merrill-Lynch and Blythe-Eastman-Paine-Webber as the co-managers for the bond issues described above.

The 1983 Legislature authorized the University to refund the \$40 million outstanding bonds on the Special Events Centers.

Vice Chancellor Dawson recommended that the 9 firms also be approved with Blythe-Eastman-Paine-Webber as senior manager and the firms of E. F. Hutton and Merrill-Lynch as co-managers.

Mrs. Gallagher moved approval of the appointment of investment bankers as co-managers for refunding certain outstanding revenue bonds. Mr. Karamanos seconded.

Mrs. Fong asked how the refunding could justify savings when 11 out of the 12 outstanding bonds were purchased at 3%, 5%, 6% and 7% while current bond rates are between 9% and 12%.

Vice Chancellor Dawson stated that the federal law allows the System to invest bond proceeds at a rate equivalent to the interest rate the System is paying. Therefore, the System is receiving interest at the current market value of between 9% and 12% and paying interest on the old bond issues at the current rate of retiring the market rate.

Mrs. Fong asked Vice Chancellor Dawson what the projection of cash flow for the next year and thereafter on the reserved funds of \$1.8 million being freed up at UNR and \$1.8 million at UNLV this year as a result of the refunding.

Vice Chancellor Dawson stated that the next year we are estimating about 200,000 credit hours each at UNLV and UNR. The current Capital Improvement Fee account is \$7 per credit hour; therefore, \$1.4 million will be realized this year. That amount will go up if student enrollment goes up on each Campus.

Mrs. Fong then asked if the overissuance of bonds is a possibility which will cause the bonds to become taxable, how will this keep from happening? Vice Chancellor Dawson responded in saying that the Church Fine Arts addition is estimated to cost of \$6 million. We are issuing \$5 million in bonds. We would have to realize a savings on the bid

process in excess of \$1 million over the estimation before

this becomes a concern.

Motion carried.

## 2. New Business

Mr. Karamanos requested Vice Chancellor Dawson to touch base with the System's investment bank managers.

The meeting adjourned at 3:15 P.M.

Mary Lou Moser

Secretary of the Board

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