Minutes are intended to note (a) the date, time and place of the meeting; (b) those members of the public body who were present and those who were absent; and (c) the substance of all matters proposed, discussed and/or action was taken on. Minutes are not intended to be a verbatim report of a meeting. An audiotape recording of the meeting is available for inspection by any member of the public interested in a verbatim report of the meeting. These minutes are not final until approved by the Board of Regents at the September 2012 meeting.

BOARD OF REGENTS* and its
INVESTMENT AND FACILITIES COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION
Ballroom A
Joe Crowley Student
University of Nevada, Reno
87 West Stadium Way, Reno
May 31, 2012

Members Present: Mr. Michael B. Wixom, Chair
Mr. Cedric Crear, Vice Chair
Mr. Mark Alden
Mr. Ron Knecht
Mr. James Dean Leavitt
Dr. Jack Lund Schofield

Others Present: Mr. Mark Stevens, Vice Chancellor, Finance
Mr. Hank Stone, System Counsel and Director of Real Estate Planning
Ms. Ruby Camposano, Director of Banking & Investments
Mr. Bart Patterson, President, NSC
Dr. Neal Smatresk, President, UNLV
Mr. Larry Eardley, NSHE
Mr. Vic Redding, NSHE
Mr. David Breiner, Cambridge Associates
Ms. Wendy Walker, Cambridge Associates

Student body presidents in attendance were Mr. Deuvall Dorsey, NSC; and Mr. Huili Weinstock, UNR.

Chair Wixom called the meeting to order at 3:00 p.m. with all members present except Regent Leavitt.

1. Public Comment – None.

2. Approved-Minutes – The Committee recommended approval of the minutes from the March 1, 2012, meeting *(Ref. IF-2 on file in the Board office).*

2. Approved-Minutes – *(continued)*

Regent Alden moved approval of the minutes from the March 1, 2012, meeting. Regent Crear seconded. Motion carried. Regent Leavitt was absent.

3. Approved-Asset Allocation and Investment Returns – The Committee recommended approval of the redemption of $3.0 million from the Vanguard Institutional Index fund in the endowment pool to fund quarterly distributions to the institutions for the quarter ending June 30, 2012.
The Committee recommended approval for the rebalancing of the operating pool; specifically, to transfer $50.0 million from cash accounts and reinvest the funds to various specified long-term asset classes as recommended by Cambridge Associates.
The Committee recommended approval for a new commitment of $5.0 million from the endowment pool to the Commonfund Venture Partners X fund.
The Committee recommended approval for full redemption of the endowment pool's position with Och-Ziff and Farallon absolute return portfolios.
The Committee recommended approval to diversify the fixed income investments within the endowment pool: Twenty percent (20%) funds currently invested in PIMCO Total Return within the endowment pool to be redeemed, approximately $8.0 million, and reinvested in WellsCap Montgomery U.S. Core Fixed Income 3C7 fund.

Mr. David Breiner, Cambridge Associates, referred to page 1 of the report *(on file in the Board office)* covering the period through March 31, 2012. He said that the endowment performance gained 7.7% in the first quarter, ending just under $215.0 million. Drivers were equities, some areas of positive managers' performance as in the case of fixed income, and the new international equity managers that were recently hired. Looking over various time periods, returns were within range of the policy benchmarks with one exception being trailing one year, which was somewhat tepid at 2.3%. There were several reasons for that including underweight to U.S. equities, emerging market manager underperformance, as well as some benchmark construction issues. It is worth noting that performance compares favorably to peers.

Regent Leavitt entered the meeting.

Mr. Breiner proceeded to the operating fund on page 2 where it showed a solid performance with a gain of 4.6% in the first quarter, very close to the policy benchmarks. Driving forces were equities, along with manager outperformance in fixed income and international equities. For the most part performance is ahead of the policy benchmarks over most periods.

3. Approved-Asset Allocation and Investment Returns – *(continued)*

Mr. Breiner continued that the action items were outlined on page 7. He noted that Cambridge was asked to make a recommendation for sourcing $3.0 million in cash for quarterly distributions to the institutions as indicated in action item 5. Cambridge's proposal is to source that cash from U.S. equities, the Vanguard Institutional Index fund, specifically. The rationale is that U.S. equities are closer to their target, they are a liquid source of funds, and have held up relatively well compared to some other asset classes. This move will avoid getting too far below the target of fixed income.

Regent Knecht moved approval of the redemption of $3.0 million from the Vanguard Institutional Index fund in the endowment pool to fund quarterly distributions to the institutions for the quarter ending June 30, 2012. Regent Alden seconded. Motion carried.

Mr. Breiner said there is a recommendation, page 7, action item 6, to invest excess cash in the operating pool in an effort to move closer to the policy targets that were approved in December 2010. He indicated that the information was the rebalancing recommendation outlined on page 9. Rebalancing is moving capital in order to stay close to the policy targets and is a fundamental investment philosophy. Mr. Breiner has been working closely with staff and, in their judgment, there is an excess of cash of at least $50.0 million within the operating pool relative to target and levels established as a threshold. Meanwhile the investment policy has been established, which is aimed at a modest return to support the distribution in place. Chair Wixom understood that there is an excess of cash that should be reallocated pursuant to the previously adopted investment policy targets.

Regent Knecht moved approval for the rebalancing of the operating pool; specifically, to transfer $50.0 million from cash accounts and reinvest the funds to various specified long-term asset classes as recommended by Cambridge Associates. Regent Schofield seconded. Motion carried.

Ms. Wendy Walker, Cambridge Associates, said that page 7, action item 1, advocates a $5.0 million commitment to Commonfund Capital Venture Partners X. The recommendation materials are outlined in Section 3. The portfolio has $22.0 million or 10% of the endowment assets, ahead of the current strategic policy target of 7%. New commitments will now maintain exposure to private investments as the current funds wind down. Venture Capital funds, in particular,

3. Approved-Asset Allocation and Investment Returns – *(continued)*

have the highest expected returns of any asset class in the portfolio, and currently represent approximately 10% of the private investment portfolio. Ms. Walker continued that these funds invest in start-up, seed stage or early companies and tend to nurture them with both money and strategic advice. Over a period of years they seek to exit the investment through, at times, an initial public offering or a mergers and acquisitions deal.

Ms. Walker stated that the current exposure within the endowment portfolio is two funds raised by Commonfund Capital initiated in 1998 and 2000. Both are in the process of winding down and returning capital to investors. Both have had above average returns for their vintage years relative to peers. However, they have posted disappointing absolute returns over the time period invested – well below the private equity and private natural resources funds in the portfolio. Ms. Walker stated that the phenomenon is indicated in the chart on page 18: the endowment's venture capital portfolio is concentrated in vintage years 1998-2000, which were a particularly weak period for venture capital. For this reason, vintage year diversification is recommended with new commitments every few years, with the goal of having exposure to the years that turn out to be very strong, such as 1996.

Ms. Walker said pages 13 through 17 set forth details about Commonfund Venture Partners X in comparison with Horsley Bridge X Venture, both of which are open and available for investments. Cambridge has conducted due-diligence on both funds and thinks highly of them, but prefers Commonfund Capital for their global diversification, lower annual management fee, smaller fund size and, because the endowment already has several other investments with Commonfund Capital, it reduces the audit and oversight burden on System staff.

Chair Wixom stated that the System has invested in this asset class for many years. NSHE's existing investments in this asset class are in its distribution or winding-down stage. NSHE will reinvest distribution proceeds into a diversified global fund, Commonfund Capital Venture Partners X.

Regent Alden moved approval for a new commitment of $5.0 million from the endowment pool to the Commonfund Venture Partners X fund. Regent Knecht seconded. Motion carried.

Mr. David Breiner said that page 7, action item 2, is a recommendation to diversify the endowment's allocation to the absolute return funds, specifically to take the first step towards transitioning from investments in direct funds (the System has two) and to move toward a fund-of-funds structure, each of which would hold many underlying funds in an effort to diversify manager risk.

3. Approved-Asset Allocation and Investment Returns – *(continued)*

Cambridge feels there is too much manager concentration and risk embedded in the way the System's exposure to absolute return managers has been structured. Any particular absolute return manager can encounter problems with staff, team or performance, so there is a fairly high level of risk at the level of an individual firm that is managing a fund. Because of that, the vast majority of institutional investors prefer to have a lot of them.

Mr. Breiner said that absolute return investing is an effort to generate equity-like returns with less volatility, less dependence on equity markets, and to provide some downside protection. This allocation has benefited the endowment and the operating funds over time. Volatility was lower as a result of being in this category. Most universities have over 20% of their pool, on average, invested in these types of assets. The System has 14% in the endowment invested in absolute return funds, which is quite a bit less than average.

Regent Knecht noted that page 22 indicated that the management fees on the two current hedge funds managers are 1% and 1.5%, whereas the fund-of-funds are 1%, 1%, 0.45%, and so forth. It looks as if the fund-of-funds has much lower management fees, but, those numbers are piled on top of the fees they are charged by the underlying managers. Mr. Breiner agreed that they are stacked on top of the underlying fund fees.

Mr. Breiner said that what is specifically being recommended is to submit redemptions to the direct funds, Farallon and Och-Ziff. There is no particular concern with those funds at this time, but the structure is far too concentrated. Mr. Breiner referred to page 28 to see what other institutions are doing with regard to their structure of the absolute return allocations; the average number of managers is 15, and the System has two.

Mr. Breiner would like a decision to redeem, in full, from the two absolute return funds. At this point Cambridge is not making specific recommendations for the fund-of-funds. This is a preview for a formal recommendation that Cambridge will bring to the September 2012, meeting, on where to direct the redemption proceeds.

Regent Knecht moved approval for full redemption of the endowment pool's position with Och-Ziff and Farallon absolute return portfolios. Regent Schofield seconded. Motion carried.

Regent Knecht felt that it would be a valuable part of the September presentation if Cambridge could help assess the trade-off between the expected increment of cost in terms of fees and the expected benefit from diversification.

3. Approved-Asset Allocation and Investment Returns – *(continued)*

Ms. Walker said page 7, action item 3, is shown in Section 5. She noted that PIMCO Total Return has been the sole fixed income manager in the endowment fund since 1997. The allocation stands at approximately $42.0 million as of March 31, 2012, for almost 20% of endowment assets. Cambridge is pleased with PIMCO's performance since it has delivered an annualized return of 7.1% since inception, which outperformed the Barclay's Aggregate benchmark by 100 basis points per year. It resulted in cumulative gains over 25% higher than what would have been earned with the benchmark. It is important to remember that relative performance for an active manager varies over time. For example, for the five year period ended March 31, 2012, PIMCO added value of 200 basis points above the benchmark – double their 15 year outperformance. Ms. Walker pointed out that under the year 2011 column, PIMCO underperformed the benchmark by 370 basis points in an unusual misstep, but it bounced back considerably in the first quarter 2012 by outperforming the benchmark by 260 basis points.

Ms. Walker said the performance variability illustrates the fact that investors must be willing to tolerate periods of short-term underperformance from any active manager, even one with such a strong long-term track record as PIMCO Total Return.

Ms. Walker continued that in September 2011, the Committee approved a decision to diversify the long-term fixed income allocation in the operating fund with a 20% allocation to Wells Capital. This was a good decision as the Wells' strategy, similar to PIMCO, has a well articulated process with proven outperformance over the long-term. Both PIMCO and Wells are core fixed income strategies, which is defined as a well diversified pool of bonds with representation across the benchmark sectors. Either could serve well alone, as PIMCO has done for the past 15 years. Together they are highly complementary since Wells tends to employ a fundamental process of bottom-up security selection and sector rotation versus PIMCO's more top down macroeconomic orientation. In 2011 Wells outperformed the benchmark when PIMCO underperformed. Ms. Walker said that Cambridge would advocate that the Committee approve a similar position in the endowment by allocating $8.0 million or approximately 20% of the fixed income portfolio to Wells Capital.

Ms. Walker said page 38 showed the 10 year risk/return analysis for PIMCO, Wells and the Vanguard Index fund. Vanguard is an index manager very favorably viewed by Cambridge.

3. Approved-Asset Allocation and Investment Returns – *(continued)*

Regent Leavitt moved approval to diversify the fixed income investments within the endowment pool: Twenty percent (20%) funds currently invested in PIMCO Total Return within the endowment pool to be redeemed, approximately $8.0 million, and reinvested in WellsCap Montgomery U.S. Core Fixed Income 3C7 fund. Regent Crear seconded. Motion carried.

Cambridge Associates presented a spending and shortfall analysis summary to evaluate asset allocation policy targets for the endowment fund regarding disbursements to the institutions and review of the investment policy.

Chair Wixom stated that page 7, action item 4, related to a point made during the policy review meeting on March 9, 2012. When speaking of the overall returns from the endowment, in order to protect the core of the endowment or the capital of the corpus of the endowment, yearly earnings has to be at least the rate of inflation, approximately 3%, plus the amount that would be distributed to the institutions. Chair Wixom continued that there is a policy in place for annual distributions of 4.5% from the endowment and there was also approval for an annual disbursement of 150 basis points or 1.5% to each of the individual foundations for a management fee. Consequently, there is a 6% distribution annually from the endowment, which is non-sustainable. Inflation of 3% and distributions of 6% requires 9% investment return per year to stay afloat. As of now, the policy, which envisions a rate of return of 6% or 7%, is out of alignment. Right now the distributions are 2% to 4% a year ahead of what should be distributed, which is troublesome.

Mr. Breiner explained that the genesis of preparing the analysis on page 43 was Regent Knecht's request to consider what is labeled Proposal C. Looking at the current allocation, Cambridge is concerned that returns may not reach the level to be consistent with the long-term objectives to spend 6% annually and preserve the value of the corpus fund itself after accounting for 3% inflation. The best judgment is that this portfolio would deliver, before inflation, 8.6% and after inflation 5.6%, which falls short of the 6% necessary to be consistent with the long-term objectives. Mr. Breiner noted that in Cambridge's judgment these numbers may prove optimistic over the foreseeable immediate time frame given that fixed income rates are very low. With all the considerations, Cambridge feels that the asset allocation needs to be aligned with the objectives. Mr. Breiner said that page 46 showed output from a model on the spending and shortfall analysis.

3. Approved-Asset Allocation and Investment Returns – *(continued)*

Regent Knecht seconded Cambridge's view about the returns and projections being very optimistic. Market conditions have deteriorated substantially since March 2012. He felt there would be continuation and acceleration of negative trends which may be grim for the next 3 years. Regent Knecht did not believe that aiming for higher risk and higher return in order to keep up current levels of disbursement was a practical option. He strongly supported pulling back on the disbursements because it will be a challenge to get to 6% on the returns.

Regent Leavitt stated that the debt situation is a concern. Mr. Breiner said Cambridge is concerned about Europe and the euro-zone coming unraveled. It may stay together, but it is difficult to know. Even if there is a low-economic-growth period, it is difficult to connect that to investment returns. Cambridge does not pretend to know how it will play out. Regent Leavitt said there is also the presidential election in November 2012. He felt it would probably be best to pull back the disbursements.

Chair Wixom suggested bringing this item back to the September 2012, meeting for a full discussion to accept more risk or reduce the level of disbursements.

4. Information Only-Operating Pool Reserve Update – Ms. Ruby Camposano, Director of Banking and Investments, updated the Committee on the balance of the reserve account in the operating pool.

Ms. Camposano reported that the balance of the reserve account in the operating pool as of May 30, 2012, was negative $2.8 million, with a loss of $770,000 since Friday, May 25, 2012.

5. Approved-Presentations by and selection of Merchant Services Provider – The Committee recommended approval for Wells Fargo Merchant Services to be awarded with a new contract for the System-wide Merchant Services effective January 1, 2013, with the terms set forth in the Request for Proposal *(Ref. IF-5 on file in the Board office)*.

Chair Wixom said his firm represents both Wells Fargo Bank and Chase Bank so he will recuse himself and abstain from the vote and meeting participation. He requested that Regent Crear conduct the meeting.

Ms. Camposano explained the RFP process and activities related to the selection of the semi-finalists of Chase Paymentech and Wells Fargo Merchant Services to provide Merchant Services to NSHE beginning January 1, 2013. She noted the Evaluation Committee was asked to make a recommendation between the two and Wells Fargo was the selection because they offered the lowest bid and are the current vendor so no transition is required.

5. Approved-Presentations by and selection of Merchant Services Provider – *(continued)*

Ms. Kate Kelley, Account Executive, Mr. Travis Linneweber, Vice President and Ms. Cherie Ward, Vice President of Chase Paymentech, introduced themselves and gave their PowerPoint presentation to the Committee *(Ref. IF-5 on file in the Board office)*.

Regent Leavitt asked what might separate Chase Paymentech from Wells Fargo. Ms. Kelley felt that, besides being an advocate for their merchants, their reporting capabilities resources online is a robust product and service offered to their customers. There is no other processor with that type of service. Mr. Linneweber added that J.P. Morgan is dedicated to the education sector. In 2011 alone, J.P. Morgan did $68.0 billion of financing that was either underwritten or loaned directly in the government not-for-profit for health care space; within that, $4.0 billion was for the education center.

Regent Crear asked about Chase doing other business in Nevada. Ms. Ward said that four of their six firm-wide lines of the other entities of Chase do business in the state; retail, business, commercial and treasury service and sales groups.

Regent Crear asked about Chase's philanthropic efforts in Nevada. Ms. Ward said that in 2011 Chase made $150,000 in contributions in Nevada. Regent Crear thanked Chase Paymentech for their presentation.

Ms. Darcy Stull and Ms. Debbie Fuge, Wells Fargo Merchant Services, introduced themselves and presented a PowerPoint report to the Committee *(Ref. IF-5 on file in the Board office)*.

Regent Alden asked about the capacity level at the three data centers. Ms. Stull was unsure of the capacity level but will find the answer and report to Ms. Camposano. Regent Alden wondered if the summary information on reports could supply more than 13 months information if it was necessary. Ms. Stull said if a specific report was needed it could be supplied through the reporting group.

Regent Crear was curious that if Ms. Karen Anderson is going to be the point person, why she was not in attendance. Ms. Stull said she has managed the account for five and one-half years, she responded to the RFP, and she has the most knowledge about the account. Ms. Stull assured the Committee that the transition to Ms. Anderson will go smoothly.

Regent Crear asked about the relationship between Wells Fargo Merchant Services and Wells Fargo Bank. Ms. Stull said that Wells Fargo is one company with many tools that works closely with their banking partners such as Merchant Services, which is its own separate division and entity.

5. Approved-Presentations by and selection of Merchant Services Provider – *(continued)*

Regent Crear asked about philanthropic contributions in Nevada. Ms. Fuge said there are different areas within the bank that participate philanthropically to various pieces of the university system; scholarships, athletics, and business. There is also community based support like food banks and school volunteers.

Regent Alden felt that the System should continue with Wells Fargo Bank. The discount rate is better and their experience is longer.

Regent Alden moved approval for Wells Fargo Merchant Services to be awarded a new contract for the System-wide Merchant Services effective January 1, 2013, with the terms set forth in the Request for Proposal. Regent Schofield seconded.

Regent Leavitt asked how Ms. Camposano and the RFP Evaluation Committee felt about Wells Fargo and Chase Merchant Services. Ms. Camposano said System staff could work with either bank. The transition with Chase Merchant Services would be labor intensive. Ms. Camposano said that Chase was the second lowest bid and the request was to bring two vendors before the Committee. Vice Chancellor of Finance, Mark Stevens, reiterated that the RFP Evaluation Committee recommended that Wells Fargo receive the contract. The reasons were the current vendor is Wells Fargo, so there would be no transition involved, and they were the lowest bid.

Regent Crear prefers companies that do business in Nevada. He felt that Wells Fargo is extremely committed to the community and gives back to the state in numerous ways.

Upon a roll call vote the motion carried. Regents Crear, Alden, Knecht and Levitt voted yes. Regent Wixom abstained.

6. Approved-Review of Institution Plans to Increase Grant and Contract Activities – The Committee recommended approval to accept the reports from the institutions outlining their plan to increase the level of research grant and contract activities *(Ref. IF-6 on file in the Board office)*.

Vice Chancellor Stevens said this information was requested at the March 2012, meeting. A request went to each of the institutions to outline how it uses the 2% monthly distribution from the operating pool as a funding source for matching grants and contracts. That information was compiled and attached as reference material for the Committee to review.

6. Approved-Review of Institution Plans to Increase Grant and Contract Activities – *(continued)*

Regent Crear moved approval to accept the reports from the institutions outlining their plan to increase the level of research grant and contract activities. Regent Alden seconded. Motion carried.

Chair Wixom felt the information was helpful.

7. Approved-TMCC Foundation Management Fee Request Assessed Effective April 1, 2012 – The Committee recommended approval to implement a 1.5% management fee on Truckee Meadows Community College endowment accounts, retroactive to April 1, 2012 *(Ref. IF-7 on file in the Board office).*

Regent Alden moved approval to implement a 1.5% management fee on Truckee Meadows Community College endowment accounts, retroactive to April 1, 2012. Regent Crear seconded.

Chair Wixom requested a friendly amendment that the approval of this item would be subject to any action taken by the Committee at the September 2012, meeting relative to reductions for fees and disbursements to the institutions.

Regent Alden accepted the friendly amendment. Regent Crear seconded.

Ms. Paula Lee Hobson, Executive Director, Foundation and Institutional Advancement, TMCC, said that in 2010 the TMCC Foundation launched a feasibility study which was overwhelmingly supported with 96% of the participants committing to make a contribution if the College launched a major gift campaign, which TMCC has done. The Foundation is at $8.0 million in less than two years for that major gift campaign. It includes cash, pledges, planned giving and grants that support the major initiatives. This request is to complete the remaining three years of the major gift campaign to support the effort.

Chair Wixom would support this subject to the friendly amendment. The institutions need to be treated equitably as this has been done for the other institutions.

Motion carried.

8. Approved-Lease of Property, UNLV College of Urban Affairs (Agenda Item # 9) – The Committee recommended approval of a long-term lease (five-year initial term with one five-year extension by mutual written agreement) with the City of Las Vegas for approximately 1,754 rentable square feet for the College of Urban Affairs at the historic Fifth Street School *(Ref. IF-9 on file in the Board office).*

Mr. Gerry Bomotti, Senior Vice President, Finance and Business, UNLV, said this is for the College of Urban Affairs to lease space from the City of Las Vegas at the Fifth Street School where UNLV has an existing program for the architect program. Approximately 1,754 square feet would be leased at basically $1.00 per month. UNLV would have to pay some portion of the expenses which are estimated to be up to $10,000 per year for specific urban affairs' programs that would interact with the city. The city will also be funding some graduate students, so it would be a great benefit for the College of Urban Affairs. Regent Alden asked if there would be a negative impact on the budget. Mr. Bomotti said that there will be a positive effect.

Regent Alden moved approval of a long-term lease (five-year initial term with one five-year extension by mutual written agreement) with the City of Las Vegas for approximately 1,754 rentable square feet for the College of Urban Affairs at the historic Fifth Street School. Regent Crear seconded. Motion carried.

9. Approved-Lease Agreement – UNLV Center for Academic Enrichment and Outreach (Agenda Item #10) – The Committee recommended approval of a six-year lease agreement with Koll/PER Tropicana Executive Center, LLC, to lease property at 1455 E. Tropicana Avenue for the UNLV Center for Academic Enrichment and Outreach to occupy the premises *(Ref. IF-10 on file in the Board office)*.

Mr. Bomotti said the Center for Academic Enrichment and Outreach, which is a federally grant-funded program that has been at UNLV for quite some time, has leased space in that particular facility since 1999. Approximately two and one-half years ago a lease was brought forward that the Board approved for a temporary, reduced rate because UNLV was not sure what the funding would be going forward. Last fall the program received notification of continued funding from the federal government so the term of this lease goes to 2018, which lines up with the grant funding from the federal government. Mr. Bomotti added that there is an approximate 20% reduction over the current rate for the same space, just over 19,000 square feet, all paid for within the federal grant.

9. Approved-Lease Agreement – UNLV Center for Academic Enrichment and Outreach (Agenda Item #10) – *(continued)*

Regent Leavitt moved approval of a six-year lease agreement with Koll/PER Tropicana Executive Center, LLC, to lease property at 1455 E. Tropicana Avenue for the UNLV Center for Academic Enrichment and Outreach to occupy the premises. Regent Crear seconded.

Regent Alden asked if there would be a problem if the grant was terminated early. Mr. Bomotti explained that the grant is provided with the full faith and credit of the federal government. In general, there is high probability that there would not be any long-term interruptions, although there is a standard clause in the lease that basically says it is subject to the federal funding, to which the landlord agreed because it is envisioned as a low risk.

Motion carried.

10. Information Only-Nevada State College Campus Capital Projects Report (Agenda Item #8) – NSC President Bart Patterson presented a report on a potential capital project for the construction and lease of a Nursing/Science Building and a Student Services/Administration Building on the Nevada State College campus *(Ref. IF-8 on file in the Board office)*.

Chair Wixom requested this specific update because there are ongoing discussions relative to the NSC building being proposed and he wanted the Committee to be fully informed.

NSC President Bart Patterson noted that there has been no state capital money for some time, and no one knows when there will be. At the same time NSC has a growing student population, a campus that is split up by five miles, and there is the main campus site with over 500 acres that has only one building on it. There were planning funds for the Nursing & Science building, but that is on hold because of the lack of capital money. Notwithstanding that, NSC has the lowest budget in the state; it has been creatively trying to find a way to fund two buildings. Right now there are historically low interest rates with low construction costs. In essence, now is the ideal time to construct a building – if there is money to do it.

President Patterson said NSC is working on a plan that will be put together over the summer months. In the meantime, he wanted to introduce the concept to the Committee of how it might work.

10. Information Only-Nevada State College Campus Capital Projects Report (Agenda Item #8) – *(continued)*

Mr. Buster Neel, Vice President of Finance and Administration, NSC, said the proposal that has come to NSC may be a reasonable possibility. There are no commitments at this point. There was a recent meeting with the development team, which includes out of state and local representation. The meeting was productive, but there are two major issues remaining: financing and risk. What is proposed is either a lease or lease purchase arrangement. The developer would actually arrange for financing through a third party if NSC chooses.

Mr. Neel continued that he and Vice Chancellor Stevens had an initial due-diligence conversation with the potential lender, which is a nationally recognized and stable institute. Terms and flexibility required to make this happen is being worked on.

Mr. Neel stated that three funding sources have been identified. There is a revenue stream for the existing leases – those funds are in the state budget, so it may be assumed that it could come from general fund monies. The Legislative Counsel Bureau has been contacted to be sure that, from a legislative perspective, there would be no issue with NSC taking those funds and applying them to this project. NSC has been assured that is the purview of the Board of Regents and that would be a part of the funding plan that would be presented to the Committee. Secondly, there are existing fee revenues, which have been projected for 25 to 30 years. From those funds projected, revenue versus projected commitments was determined, and the net amounts were built into the projection for funding. Again, this would require approval from the Board.

Mr. Neel said the third area would require a special building fee that would be assessed to the NSC students. In meeting with the students they were assured that this fee would not exceed $125 per semester, fall and spring only, and for students taking four hours or more only. Mr. Neel repeated, "not to exceed" because the budget numbers are maximum numbers. The planning is conservative in the sense that expense has been over-estimated and very conservative in terms of enrollment projections and subsequent revenue. As a part of the process, the construction will be bid, so the actual general contractor, construction manager and developer will bid all components of the construction, which should yield competitive results. The budget shows $61.5 million which is all-inclusive of construction, FF&E, cost of buying out existing leases, reserves and relocation expenses. In the course of the process the expectation is for that number to come down.

Mr. Neel stated that there was unanimous support from student government. Subsequently, the general student body was surveyed with a return rate of over 20% and the approval rate was 71%. The students are behind this because they recognize the long-term impact on NSC.

10. <u>Information Only-Nevada State College Campus Capital Projects Report (Agenda Item #8)</u> – *(continued)*

Mr. Deuvall Dorsey, Student Body President, NSC, explained that the student government, NSSA, was elected by the student body as their representatives. Preliminary details of the building project were given to the NSSA members, outlining the preliminary details of the building project, including the financial commitment that will be incurred by the students. The NSSA has voted unanimously in support of this project and have made efforts to encourage the College to move forward with this building project as soon as possible. The broader voice of the students was heard through a survey, which was offered to all NSC students, and they expressed their support and are interested in having access to amenities that are currently offered in a limited capacity or are non-existent. Even though all students were not comfortable with the idea of a building fee, they recognized the many needs this building project would address.

Chair Wixom said in terms of financing, this is basically a sale-lease back with some sort of ground lease arrangement. To service the debt existing leases would be terminated, the lease revenue would be used, there are existing student fees and then student fees would be added. The debt service appears to be 4 to 4.5 million dollars in debt service annually, and approximately $60.0 million in aggregate costs. Mr. Neel agreed and added that those numbers are the maximum.

Regent Crear asked about a commitment from the Foundation to help with this project. Mr. Neel said there is a commitment from the Foundation to do everything possible to help. The chair of the Foundation, Mr. Glenn Christensen, is also committed to help through the Foundation. Chair Wixom said he met with Mr. Christensen and former Mayor Jim Gibson, and they both expressed strong support. When the financing vehicles are being created, to avoid any pre-payment penalties, the Foundation, through the construction phase, will use that as a focal point for fundraising and then, to the extent that the Foundation raises funds, that will reduce the overall debt load and the debt service.

Regent Crear understood that one building is for nursing, and asked about the other building. Mr. Neel said there will be an academic building and a student activity administration building.

Regent Crear assumed that the architect would be from Las Vegas. Mr. Neel agreed that the architect is from a local firm. Regent Crear wondered if there was a builder in the process. Mr. Neel said there is a development team. There is the key developer, who would actually be the owner of the building, leasing back to NSC. There will be a construction manager that will be a local firm, and then a general contractor that has a local office, but housed outside of Nevada. The key developer is now working with a lender and is optimistic that this will occur. NSC will ultimately have the responsibility of meeting the debt service or lease

10. <u>Information Only-Nevada State College Campus Capital Projects Report (Agenda Item #8)</u> – *(continued)*

payment, but lending would be arranged through the key developer. Regent Crear asked about the $60.0 million being debt that is being serviced or a lease payment. Mr. Neel said there may be two ways of approaching this, and the details still have to be worked out. Regent Crear felt that the buildings will help turn NSC into a real campus and a viable College.

Chair Wixom believed that NSC should continue discussions and return to the Committee with more specific proposals. The proposals will have to be put together in advance of the next legislative session.

11. <u>New Business</u> – None.

12. <u>Public Comment</u> – Chair Wixom said Vice Chancellor Stevens has been an extraordinary help to him and it has been a joy working with him. Chair Wixom expressed his deep appreciation to Vice Chancellor Stevens.

The meeting adjourned at 5:28 p.m.

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