

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 March 2014 meeting.

**BOARD OF REGENTS* and its
BUSINESS & FINANCE COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION**

Student Union, Ballrooms B & C
University of Nevada, Las Vegas
4505 S. Maryland Parkway, Las Vegas
Thursday, December 5, 2013

Video Conference Connection from the Meeting Site to:

System Administration, Reno
2601 Enterprise Road, Conference Room

and

Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room

Members Present: Mr. Michael B. Wixom, Chair
Mr. Kevin C. Melcher, Vice Chair
Dr. Andrea Anderson
Mr. Ron Knecht
Mr. James Dean Leavitt
Ms. Allison Stephens

Others Present: Mr. Daniel J. Klaich, Chancellor
Mr. Larry Eardley, Vice Chancellor, Budget & Finance
Ms. Brooke Nielsen, Vice Chancellor, Legal Affairs
Mr. Vic Redding, Vice Chancellor, Finance & Administration
Dr. Steve Zink, Vice Chancellor, Information Technology
Mr. Scott G. Wasserman, Chief of Staff to the Board of Regents
Mr. Bart Patterson, President, NSC
Dr. Marc Johnson, President, UNR
Mr. Chester Burton, President, WNC

For others present please see the attendance roster on file in the Board Office.

Chair Wixom called the meeting to order at 8:51 a.m. with all members present.

1. Information Only – Public Comment (Agenda Item #1) – None.
2. Approved – Consent Items (Agenda Item #2) – The Committee recommended approval of the consent items.
 - 2a. Approved – Minutes (Agenda Item #2a) – The Committee recommended approval of the September 5, 2013, meeting minutes. (*Ref. BF-2a on file in the Board Office.*)

2. Approved – Consent Items (Agenda Item #2) – (Continued)

- 2b. Approved – Fiscal Year 2012-2013 NSHE State Operating Budget to Actual Comparison (Agenda Item #2b) - The Committee recommended approval and acceptance of the report of the Fiscal Year 2012-2013 State Operating Budget to Actual Comparison for the NSHE. (Ref. BF-2b(1) & Ref. BF-2b(2) on file in the Board Office.)
- 2c. Approved – Fiscal Year 2012-2013 State Accountability Report – Board of Regents’ Approved Budget to Actual (Agenda Item #2c) – The Committee recommended approval and acceptance of the Fiscal Year -end 2012-2013 State Accountability Report. (Ref. BF-2c(1) & Ref. BF-2c(2) on file in the Board Office.)
- 2d. Approved – Fiscal Year 2012-2013 NSHE Self-Supporting Budget to Actual Comparison (Agenda Item #2d) - The Committee recommended approval and acceptance of the report of the Fiscal Year 2012-13 Self-Supporting Budget to Actual Comparison for the NSHE. (Ref. BF-2d(1) & Ref. BF-2d(2) on file in the Board Office.)
- 2e. Approved – First Quarter Fiscal Year 2013-2014 Budget Transfers, State Supported or Self-Supporting Operating Budgets (Agenda Item #2e) – The Committee recommended approval and acceptance of the report of the first quarter Fiscal Year 2013-2014 budget transfers of State Supported or Self-Supporting Operating Budget funds between functions. (Ref. BF-2e(1) & Ref. BF-2e(2) on file in the Board Office.)

Regent Knecht asked for the nature of the University of Nevada, Las Vegas (UNLV) transfer of \$254,000 and the University of Nevada, Reno (UNR) transfer of \$233,000.

Mr. Gerry Bomotti, Vice President, Finance and Administration, UNLV, stated the transfer was from one area of athletics to another to address the Arizona game commitment of \$250,000. Regent Knecht stated it did not appear from the summary the transfer was between athletic accounts, but he was satisfied with the clarification.

Dr. Jean Regan, Senior Associate Dean, University of Nevada, School of Medicine (UNSOM) Finance, stated the UNR transfer was related to an error made in the Department of Physiology when they were preparing their budget.

- 2f. Approved – First Quarter Fiscal Year 2013-2014 NSHE All Funds Report (Agenda Item #2f) - The Committee recommended approval and acceptance of the first quarter Fiscal Year 2013-2014 All Funds report for the NSHE. (Ref. BF-2f(1) & Ref. BF-2f(2) on file in the Board Office.)

Regent Knecht asked if the first quarter other revenue sources were 83 percent of revenues collected for the last fiscal year. Mr. Larry Eardley, Vice Chancellor, Budget and Finance, reported two of the institutions (UNR & GBC) had a distribution of \$15 million from the Investment Income Reserve and they posted those revenues against other revenues. The

2. Approved – Consent Items (Agenda Item #2) – (Continued)

2f. Approved – First Quarter Fiscal Year 2013-2014 NSHE All Funds Report (Agenda Item #2f) – (Continued)

mitigation funds for Western Nevada College (WNC) and Great Basin College (GBC) were also posted against other revenues. The one-time distributions created the first quarter increase over the first quarter revenues of last fiscal year.

Regent Knecht asked if it was normal to receive a large portion of the annual revenues in the first quarter. Mr. Eardley stated because this was approved and allocated at the same time, yes it was normal.

2g. Approved – Student Association Report (Agenda Item #2g) – The Committee recommended approval and acceptance of the NSHE Student Association reports for Fiscal Year 2012-2013. (Ref. BF-2g(1) & Ref. BF-2g(2) on file in the Board Office.)

Regent Knecht asked for clarification on the UNLV undergraduate transfer out of \$780,000. Mr. Eardley reported the detail for the transfer is on page 9 of the report.

Regent Knecht stated he found the Consolidated Student of University of Nevada, Las Vegas, report very impressive in regards to low costs.

Vice Chair Melcher moved approval of the consent items. Regent Stephens seconded. Motion carried.

3. Information Only – First Quarter Fiscal Year 2013-2014 Fiscal Exception and Status of State Appropriations (Agenda Item #3) – The first quarter Fiscal Year 2013-2014 report of fiscal exceptions of Self Supporting accounts and status of State Supported Operating Budget appropriations was presented. (Ref. BF-3a & Ref. BF-3b on file in the Board Office.)

Mr. Eardley reviewed *Ref. BF-3a and Ref. BF-3b* highlighting the following accounts requiring reporting:

- The UNR Fire Science Academy (FSA) Operating and Construction accounts reported a combined cash deficit of <\$11,895,973> for the first quarter of Fiscal Year 2013-14.

Dr. Marc Johnson, President, UNR, stated they were nearing the end of the reclamation phase on the property and anticipates by the March Board of Regent's meeting there will be a contribution towards the deficit.

Chair Wixom asked if there was an estimate on reclamation costs at this time. President Johnson stated the original estimate was \$4.1 million. The costs are below that figure at this time. Mr. Ron Zurek, Vice President, Administration and Finance, UNR, added \$4.1 million was set aside for the restoration process. They are awaiting inspection of the site at this time so the exact amount is undetermined at this time.

3. Information Only – First Quarter Fiscal Year 2013-2014 Fiscal Exception and Status of State Appropriations (Agenda Item #3) – (Continued)

Chair Wixom asked whether, if there was a savings it would be available to apply to the operating deficit. President Johnson stated all savings will go directly to the deficit.

Chair Wixom asked if they knew when the operating deficit would be eliminated. Mr. Zurek stated the largest down payment would be the surplus funds from the restoration. Previously they have testified that a portion of any unknown resources will be applied to the deficit. It is a priority of the University to eliminate the debt.

- The University of Nevada, Reno Intercollegiate Athletics (*ICA*) program reported a cash deficit of <\$7,462,356> through the first quarter of Fiscal Year 2013-14.
- College of Southern Nevada (*CSN*) reported a cash deficit of <\$118,156> for its Occupational Safety and Health Administration (*OSHA*) account for the first quarter of FY 2013-14 which is a <\$14,558> increase in the deficit over the beginning of the year reported deficit.
- The University of Nevada's School of Medicine Hospital Accounts Receivable Aging Schedule as of September 30, 2013, shows the University of California San Diego Health System's account (*USCD*) has a 90 to 120 day receivable of \$22,615.75. The contract with UCSD was not renewed and the SOM personnel are working with the UCSD administration regarding final payment. The University Medical Center's 60 to 90 day receivable has been reduced to approximately \$13,000 as of November 9, 2013.

Chair Wixom expressed his appreciation to the School of Medicine for all their hard work.

Mr. Eardley highlighted the NSHE institution's first quarter reports determined revenues are anticipated to be collected as budgeted with the exception of the following budgets:

- University of Nevada, Reno, University of Nevada, Las Vegas, Dental School, College of Southern Nevada, and Nevada State College anticipate student fee revenues will exceed budget due to increased enrollments.
- College of Southern Nevada, Truckee Meadow Community College, and Western Nevada College project student fee revenues and investment income to be short of budget.

Regent Knecht asked for an explanation from the three community colleges showing shortfalls. Mr. Eardley reported the revenues approved by the Legislature are only projections. The projections at that time could be higher or lower depending on enrollment. Ms. Patty Charlton, Senior Vice President, Finance and Administration, CSN, added CSN does anticipate a shortfall because they have experienced a multi-year decline in enrollment.

Regent Knecht understood the budget amount is a projection at a certain time and such projections will err. His point was the amounts seem substantial, and asked to be

3. Information Only – First Quarter Fiscal Year 2013-2014 Fiscal Exception and Status of State Appropriations (Agenda Item #3) – (Continued)

reminded of the basis that was used in the Legislative Budget for those amounts. Mr. Eardley stated prior to this legislative session the System had the ability to take actual enrollments and project based on a three year rolling average. Because of the new formula, going forward they will only project revenues based on actual enrollments for Fiscal Year 2012. Mr. Eardley anticipated there will be a greater variance especially if enrollments exceed the base year being used.

Regent Knecht asked the institutions if they anticipate a budget management problem. Chair Wixom believed it was a good question and suggested placing an item on the next agenda with a response from all institutions. Regent Knecht found that acceptable.

2d. Approved – Fiscal Year 2012-2013 NSHE Self-Supporting Budget to Actual Comparison (Agenda Item #2d) – (Continued)

Regent Knecht asked where the FTE figures in *Ref. BF-2d(1)* came from in the document. Mr. Eardley pointed Regent Knecht to page six of the document for the explanation.

4. Approved – Additional Student Fee Revenues (Agenda Item #4) – The Committee recommended approval to expend excess student registration fee revenues for the purpose of funding additional adjunct faculty costs and to seek legislative Interim Finance Committee (IFC) authorization to expend any additional student fee revenues, not utilized for adjunct faculty, within the State Supported Operating Budget for Fiscal Year 2013-2014. (Ref. BF-4 on file in the Board Office.)

Mr. Eardley summarized *Ref. BF-4* highlighting a request for:

- Board action item #1 to seek IFC approval to expend a total of approximately \$6.4 million in excess student fee amounts.
- Board action item #2 to seek Board of Regents approval to expend approximately \$7.6 million in excess student fees that do not require IFC approval.

Chair Wixom read the agenda item language and stated the implication was they were seeking approval for adjunct faculty, but also for other expenditures. Mr. Eardley clarified under expenditure act Senate Bill 521 (Chapter 453, *Statutes of Nevada 2013*) they did not have to seek IFC approval if excess registration fees were expended on adjunct faculty within the budget.

Chair Wixom asked if the funds being sought were solely for the purpose of hiring adjunct faculty. Mr. Eardley stated that was true. Chair Wixom clarified for the record all they were doing is approving expenditures of funds for the hiring of adjunct faculty. Mr. Eardley stated that was one part and the second part was to seek IFC approval to expend funds for other purposes. Chair Wixom asked what other expenses would be paid in addition to adjunct faculty salaries. Mr. Eardley stated it included equipment, operating expenses, and anything else that may be in the budget. Chair Wixom asked to know where the funds are going. Mr. Eardley presented the following:

- TMCC – nonresident tuition will be spent on part-time faculty.
- UNLV – miscellaneous student fees will be spent on part-time faculty instruction.
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4. Approved – Additional Student Fee Revenues (Agenda Item #4) – (Continued)

- UNR – nonresident tuition and miscellaneous student fees will be spent on equipment replacement, undergraduate classrooms, clinical positions, and deferred maintenance.
- Dental School – nonresident tuition increase will be spent on part-time faculty.

Mr. Eardley clarified if the campus is going to spend registration fees solely on part-time faculty only Board approval is needed.

Chair Wixom clarified there was only one institution that was going to use the funds for equipment, with Mr. Eardley responding yes. Chair Wixom stated there were concerns in the past about utilization of student fees for the purchase of equipment, facilities and other parts of the universities infrastructure. Chair Wixom asked UNR how much they were using on equipment and adjunct faculty. Mr. Bruce Shively, Associate Vice President, Planning, Budget and Analysis, reported they were not using any of the money generated by the nonresident tuition fees for adjunct faculty. Mr. Shively stated they were using it on a variety of things, including equipment, technology infrastructure upgrades, scholarships, graduate grant-in-aid, and deferred maintenance back log. President Johnson pointed out page 12 of 12 of *Ref. BF-4* lists what UNR will be expending the funds on. Chair Wixom asked if the items, from a policy perspective, would be better funded from other revenue sources. President Johnson stated this was about the only revenue source they have left, because they lost an additional \$4.5 million in state funds through the formula.

Regent Stephens stated this illustrated her concern regarding a philosophical shift to relying on students and changing the business model to pay for certain things.

Mr. Daniel Klaich, Chancellor, pointed out these excess student fees are largely the result of institution growth. These are additional students arriving at the institution and bringing revenue with them. UNR has been successful in attracting additional students and per the Legislature's budget closing actions they are required to go back to IFC and tell them they have more student revenue than was anticipated when the budget was closed. Regent Stephens stated she was just making reference to President Johnson's statement indicative of an overall cultural shift.

Regent Knecht moved approval to expend excess student registration fee revenues for the purpose of funding additional adjunct faculty costs and to seek legislative Interim Finance Committee (*IFC*) authorization to expend any additional student fee revenues, not utilized for adjunct faculty, within the State Supported Operating Budget for Fiscal Year 2013-2014. Regent Stephens seconded. Motion carried.

5. Approved – Financing Plan, University Revenue Bond Resolution for UNR Student Achievement Center and Residence Hall and UNLV Center for Justice and Administration, Resolution for UNR Capital Improvement Projects Promissory Note (Agenda Item #5) – The Committee recommended approval of the financing plans for the William Pennington Student Achievement Center (*UNR*), the Cooper Court Residence Hall (*UNR*), and renovation of the existing James E. Rogers Center for Administration and Justice (*UNLV*); approval of a resolution authorizing the issuance of University Revenue Bonds, Series 2014A and 2014B in the combined maximum principal amount of \$58 million for these projects at UNR and UNLV; and approval of a resolution authorizing a promissory note in the principal amount of up to \$12 million to finance these capital improvements at UNR. (*Ref. BF-5*)

Mr. Eardley summarized *Ref. BF-5*.

Ms. Kendra Follette, Bond Counsel, Sherman and Howard, and Mr. John Peterson, System Financial Advisor, J&A Consulting, introduced themselves.

Chair Wixom noted it was not clear to him how the \$12 million line of credit was going to be used. Mr. Zurek reported the total amount is \$12 million and there is \$6 million for a naming opportunity. Chair Wixom asked if the funds had been collected, with Mr. Zurek stating they have been pledged. President Johnson added there are signed pledges for \$11.85 million. Chair Wixom asked what the \$6 million was. President Johnson stated it was from the William Pennington Foundation for the naming gift and will come in over the next four years. The pledges will come in over the next five years, and is the reason they need a construction loan. Pledge payments will be used to reduce the line of credit.

Chair Wixom asked them to identify the revenue sources for the bonds. Mr. Zurek stated extra bonding authority that was afforded by the reduction of the capital debt at the Fire Science Academy is the revenue source for the Pennington Achievement Center. It is not a new revenue source but a repurpose of the existing student fee.

Mr. Bomotti stated the primary revenue source for payback is capital improvement fees for the UNLV project.

Chair Wixom asked if there was anything different about the bonds being presented and funded than has been in the past. Ms. Follette stated the pledge revenues are the same for all the university revenue bonds.

Chair Wixom clarified these were bundled together to achieve some cost savings. Mr. Peterson stated that was correct. It is more efficient to have a single revenue bond for all three transactions. Chair Wixom asked when they planned to issue the bonds. Mr. Peterson stated the expectation is to go to competitive sale the third week in February and close the middle of March. Chair Wixom asked when they would start construction. Mr. Bomotti reported UNLV's projected date for starting demolition is late April. Mr. Zurek noted the Student Achievement Center has already begun demolition with construction beginning in early February. Construction on the residence hall will begin in early January.

5. Approved – Financing Plan, University Revenue Bond Resolution for UNR Student Achievement Center and Residence Hall and UNLV Center for Justice and Administration, Resolution for UNR Capital Improvement Projects Promissory Note (Agenda Item #5) – (Continued)

Regent Knecht moved to approve and proceed with financing plans for the William Pennington Student Achievement Center (UNR), the Cooper Court Residence Hall (UNR), and the renovation of the existing James E. Rogers Center for Administration and Justice (UNLV); approval of a resolution authorizing the issuance of University Revenue Bonds, Series 2014A and 2014B in the combined maximum principal amount of \$58 million for these projects at UNR and UNLV contingent upon UNLV using capital improvement fee reserves in the range of \$1.1 million to \$4.1 million and an annual allocation of capital fee revenues sufficient to pay the debt service on the project financing; approval of a resolution authorizing UNR to obtain a revolving bank line of credit for up to \$12 million with the understanding the approving of the financing plan for the UNR Cooper Court Resident Hall is contingent upon the project being approved by the Investment and Facilities Committee; and approval of authority to execute the bond resolutions. Regent Stephens seconded. Motion carried.

6. Information Only – Classification of NSHE Police Reports (Agenda Item #6) - The Business and Finance Committee, at its September 5, 2013 meeting, requested the UNLV and UNR Department of Police Services provide the Committee with specific examples of first responder reported crime classifications that were subsequently changed prior to being reported to the Board of Regents and the Department of Education. (Ref. BF-6 on file in the Board Office.)

Mr. Jose Elique, Chief of Police, UNLV, reviewed UNLV's portion (*pages one and two*) of Ref. BF-6.

Regent Stephens noted the UNLV examples illustrate for the record exactly what they are dealing with and helps show they have thoroughly looked into the issue.

Mr. Adam Garcia, Chief of Police, UNR, reviewed UNR's portion (*page three*) of Ref. BF-6.

Chair Wixom asked if reclassifications at UNR were statistically different than the City of Reno. Chief Garcia believed UNR was statistically lower.

7. Information Only – New Business – None.
8. Information Only – Public Comment – None.

The meeting adjourned at 10:08 a.m.

Prepared by:

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Submitted for approval by:

R. Scott Young
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