

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 December 2015 meeting.

**BOARD OF REGENTS* and its
BUSINESS & FINANCE COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION**
Joe Crowley Student Union, Milt Glick Ballroom A
University of Nevada, Reno
87 West Stadium Way, Reno
Thursday, September 10, 2015

Members Present: Mr. Kevin J. Page, Chair
Mr. Cedric Crear
Dr. Mark W. Doubrava
Mr. James Dean Leavitt

Members Absent: Mr. Robert Davidson, Vice Chair

Other Regents Present Mr. Rick Trachok, Chairman
Mr. Michael B. Wixom

Others Present: Mr. Larry Eardley, Associate Vice Chancellor, Business & Finance
Mr. Vic Redding, Vice Chancellor, Finance & Administration
Mr. Nicholas Vaskov, System Counsel and Director of Real Estate Planning
Dr. Len Jessup, President, UNLV
Dr. Marc Johnson, President, UNR
Mr. Chet Burton, President, WNC

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

Chair Kevin J. Page called the meeting to order at 9:26 a.m. with all members present except Vice Chair Robert Davidson.

1. Information Only – Public Comment – None.
2. Approved – Consent Items – The Committee recommended approval of the Consent Items.
 - 2a. Approved – Minutes - The Committee recommended approval of the June 11, 2015, meeting minutes. (*Ref. A-2a on file in the Board Office.*)

Regent Cedric Crear moved approval of the June 11, 2015, meeting minutes. Regent James Dean Leavitt seconded. Motion carried. Regent Davidson was absent.

2. Approved – Consent Items – (Continued)

- 2b. Approved – Fourth Quarter Fiscal Year (FY) 2014-2015 Budget Transfers – State-Supported or Self-Supporting Operating Budgets – The Committee recommended approval and acceptance of the report of the fourth quarter FY 2014-2015 Budget Transfers of State Supported or Self-Supporting Operating Budget Funds Between Functions. (Ref. BF-2b(1) & Ref. BF-2b(2) on file in the Board Office.)
- 2c. Approved – Fiscal Year 2014-2015 Transfers of Non-State Budget Expenditures to State Budgets After May 1st – The Committee recommended approval and acceptance of the report of transfers of expenses from non-state budgets to state budgets that occurred after May 1, 2015, for FY 2014-2015. (Ref. BF-2c(1) & Ref. BF-2c(2) on file in the Board Office.)
- 2d. Approved – Summary of Board of Regents Approved Issuance of Bonds in 2015 – The Committee recommended approval and acceptance of the report summarizing the issuance of University Revenue Bonds for projects at the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV). (Ref. BF-2d on file in the Board Office.)

Regent Leavitt moved approval of the consent items. Regent Mark W. Doubrava seconded. Motion carried. Regent Davidson was absent.

3. Approved – Fiscal Year 2015-2016 Nevada System of Higher Education (NSHE) Self-Supporting Budget – The Committee recommended approval of the FY 2015-2016 NSHE Self-Supporting Budget. (Ref. BF-3a & Ref. BF-3b on file in the Board Office.)

Mr. Larry Eardley, Associate Vice Chancellor, Business and Finance, reviewed Ref. BF-3a and Ref. BF-3b highlighting the following:

- The projected opening account balance for all NSHE self-supporting accounts reported for FY 2015-16 is \$254.8 million. Revenues of \$536.7 million and expenditures of \$579.8 million are projected, resulting in projected decrease of <\$43.0> million for an ending funds balance of \$211.7 million for FY 2015-2016.
- There was a total of 1,682 self-supporting accounts reported in FY 2015-2016 which is a 2.3 percent decrease and the number of full-time equivalent (FTE) employee positions budgeted in FY 2015-2016 of 2,642 is a 12.3 percent increase over the FY 2014-15 budgeted FTE positions.
- The revenue and expenditure budgets total \$791.5 million for FY 2015-2016.

Regent Leavitt moved approval of the FY 2015-2016 NSHE Self-Supporting Budget. Regent Doubrava seconded. Motion carried. Regent Davidson was absent.

4. Approved – Fiscal Year 2015-2016 NSHE State-Supported Operating Budget – The Committee recommended approval of the FY 2015-2016 NSHE State Operating Budget. (Ref. BF-4a & Ref. BF-4b on file in the Board Office.)

Mr. Eardley reviewed Ref. BF-4a and Ref. BF-4b highlighting the following:

4. Approved – Fiscal Year 2015-2016 NSHE State-Supported Operating Budget – (Continued)

- FY 2015-2016 General Fund revenues totaled \$543.8 million, which exceeds General Fund appropriations by \$44.5 million or 8.92 percent.
- FY 2015-2016 other revenues consisting mostly of student fees totaled \$297.1 million, which is approximately \$32.7 million greater than FY 2014-2015.
- FY 2015-2016 total revenues are 10.11 percent greater than revenues in FY 2014-2015.
- Personnel costs are approximately 80 percent of total costs with operating expenditures at approximately 20 percent.

Regent Crear stated when he came on the Board the total NSHE budget was approximately \$1.2 billion and it is now \$850 million.

Chair Page thought it would be helpful to make a better distinction between the medical schools in future reports.

Regent Crear moved approval of the FY 2015-2016 NSHE State Operating Budget. Regent Doubrava seconded. Motion carried. Regent Davidson was absent.

5. Information Only – Fourth Quarter FY 2014-2015 Fiscal Exceptions, Self-Supporting Budgets - The fourth quarter FY 2014-2015 Fiscal Exception Report was presented. The report provides quarterly updates on all self-supporting budgets that experience deficits or negative cash balances. (*Ref. BF-5a & Ref. BF-5b on file in the Board Office.*)

Mr. Larry Eardley reviewed *Ref. BF-5a* and *Ref. BF-5b* highlighting the following:

- The UNR Fire Science Academy (FSA) reported a cash deficit of <\$9> million for the fourth quarter.
- The UNR Intercollegiate Athletics (ICA) program reported a cash deficit of <\$3.1> million through the fourth quarter.
- The School of Medicine (SOM) Practice Plan reimbursement accounts are still experiencing cash flow issues. The accounts are monitored daily. Partial payments of approximately \$900,000 have been posted since the June 30th report date. An additional payment of \$251,000 has been received.

There were no other material NSHE fiscal exceptions requiring reporting.

Regent Crear asked for clarification on the FSA. Mr. Eardley stated the FSA had been sold, but an operating deficit accumulated over the years. Any University discretionary funds are being used to decrease the operating deficit. Regent Crear asked if the students were still paying fees for the FSA with Mr. Ron Zurek, Vice President, Administration and Finance, UNR, responding the students were not.

6. Information Only - University of Nevada School of Medicine (UNSOM) Faculty Practice Plan Cash Flow and Future Plans (Agenda Item #9) – Dr. Thomas Schwenk, Dean, UNSOM, presented an update on the UNSOM Faculty Practice Plan addressing current cash flow issues and future plans. (*Ref. BF-9 on file in the Board Office.*)

Dean Schwenk believed the Practice Plan had stabilized in terms of operations. The Practice Plan is losing money and is the most concerning part of the Medical School. There are good people working hard in operations and on management issues, but there are significant structural reasons the Practice Plan is performing less than expected. Both the north and south Practice Plans are in a deficit position but in different ways. The north is in a deficit with regard to faculty salaries and the north and south are both in a deficit with regard to paying the academic support tax expected of the Practice Plan.

Dean Schwenk reviewed *BF-9* and highlighted the Practice Plan's purpose, background, history, performance, causes of the current deficit, future plans and conclusions.

Regent Leavitt asked what the Board can do to help the Practice Plan succeed. Dean Schwenk stated seeking the capital investment and higher reimbursement rates are something the Board can help with. There is a general medical community concern about investing tax dollars in the high margin specialties because it is viewed as competition by the private community. Regent Doubrava stated it is a delicate balance when working with the local community.

Regent Wixom clarified there was a \$5 million deficit between the north and south. He asked if the deficit had been gradually increasing. Dean Schwenk stated it was in this area when he arrived, then decreased and is now increasing again. Regent Wixom asked if the biggest reason for the increase was due to Medicaid reimbursement. Dean Schwenk said it was not, but instead a perfect storm of several different reasons, including, medical electronic records, Medicaid reimbursements, investments in certain programs, and loss of faculty members. Regent Wixom asked to hear more in the future about the role the Board can play in pushing the process forward and how they can be helpful.

Regent Doubrava believed one thing not mentioned was the productivity component that is being added to contracts. Dean Schwenk stated they are developing more sophisticated physician compensation plans.

Dean Schwenk stated there are many other ways to manage clinical affairs and teachings. They need to look for different models and those models will be different between the north and south.

Regent Crear requested an analysis of position salaries so the Regents know which positions are carrying their own weight within the Practice Plan and how the deficit will carry over to the new Practice Plan.

Chair Page asked for the breakdown of the \$5 million deficit between the north and south. Dean Schwenk noted it was approximately \$3.5 million in the north and \$1.5 million in the south. Chair Page asked for more than yearly updates on the deficit. Dean Schwenk added he reviews the financial status with the Health Sciences Committee every meeting.

7. Approved – Transfer of State Appropriated Performance Pool Funds Between NSHE Appropriation Budgets (Agenda Item #6) – The Committee recommended approval to seek Interim Finance Committee (IFC) approval upon the recommendation of the Governor, pursuant to Section 59, Subsection 2 of Assembly Bill 507 (Chapter 446, *Statutes of Nevada 2013*), to transfer funds not transferred from the Performance Funding Pool account in FY 2015 to the NSHE formula budgets of Great Basin College (GBC) and Truckee Meadows Community College (TMCC) in FY 2015-2016. (*Ref. BF-6 on file in the Board Office.*)

Regent Leavitt moved approval to seek IFC approval upon the recommendation of the Governor, pursuant to Section 59, Subsection 2 of Assembly Bill 507 (Chapter 446, *Statutes of Nevada 2013*), to transfer funds not transferred from the Performance Funding Pool account in FY 2015 to the NSHE formula budgets of GBC and TMCC in FY 2015-2016. Regent Crear seconded. Motion carried. Regent Davidson was absent.

8. Approved – University of Nevada, Reno – New Residence Hall Financing and Resolution (Agenda Item #7) – The Committee recommended approval (1) to proceed with a proposed funding plan based upon a combination of institutional reserves and the issuance of NSHE tax-advantaged certificates of participation debt securities; and (2) of a Resolution that would permit the University to be reimbursed for certain “up-front” construction related expenses associated with the new residence hall project (i.e., demolition, site work) from the proceeds of the certificates of participation debt securities. A final request for Board approval of the funding plan will be scheduled for the December 2015 meeting. (*Ref. BF-7 on file in the Board Office.*)

Mr. Zurek reported this is a new residence hall intended to open in fall 2017 to accommodate increased University enrollment and will aid in recruitment of more academically-oriented students.

Regent Crear moved approval (1) to proceed with a proposed funding plan based upon a combination of institutional reserves and the issuance of NSHE tax-advantaged certificates of participation debt securities; and (2) of a Resolution that would permit the University to be reimbursed for certain “up-front” construction related expenses associated with the new residence hall project (i.e., demolition, site work) from the proceeds of the certificates of participation debt securities. Regent Leavitt seconded.

Regent Doubrava clarified the Committee would approve this one more time in December when financing details are brought forward. Mr. Zurek stated the Investment and Facilities Committee must approve the project, and then the financing plan will come forward in December 2015.

8. Approved – University of Nevada, Reno – New Residence Hall Financing and Resolution (Agenda Item #7) – (Continued)

Chair Page asked how many students would be in a room. Mr. Zurek indicated, much like Peavine Hall, this would accommodate two students per room, but dependent on enrollment could be as many as three.

Motion carried. Regent Davidson was absent.

9. Approved – Interim Finance Committee Funding – University of Nevada School of Medicine & University of Nevada Las Vegas School of Medicine (Agenda Item #8) –
The Committee recommended approval to seek IFC approval, pursuant to Section 71 of Senate Bill 514 (Chapter 534, *Statutes of Nevada 2015*), for allocation of General Funds, upon the recommendation of the Governor, to the NSHE for funding start-up costs related to development of a medical school at UNLV and to expand public undergraduate and graduate medical education at the UNSOM. (*Ref. BF-8 on file in the Board Office.*)

Mr. Eardley reviewed *Ref. BF-8* and noted the General Fund allocations requested are \$18.4 million for the UNLV Medical School and \$3.8 million for the UNSOM.

Regent Doubrava clarified they were going in front of the IFC Committee to request the money the Nevada State Legislature has already approved. Vice Chancellor Redding agreed they were only requesting the money already approved.

Regent Crear moved approval to seek IFC approval, pursuant to Section 71 of Senate Bill 514 (Chapter 534, *Statutes of Nevada 2015*), for allocation of General Funds, upon the recommendation of the Governor, to the NSHE for funding start-up costs related to development of a medical school at UNLV and to expand public undergraduate and graduate medical education at the UNSOM. Regent Leavitt seconded. Motion carried. Regent Davidson was absent.

10. Information Only – UNLV Hotel College Academic Building Fundraising –
The Committee heard an update on fundraising efforts for the UNLV Hotel College academic building. (*Ref. BF-10 on file in the Board Office.*)

Dr. Len Jessup, President, UNLV, reported UNLV is required to raise 50 percent of the total cost of the project. UNLV has set that goal at \$30 million. Pledges totaling \$18.3 million have been made. There is a natural drop in fundraising during the Summer months. Conversations are continuing with a pipeline of approximately 20 donors.

Chair Page noted for the record the report presented at the last meeting was not 100 percent accurate, but he was confident in today's report. Regent Leavitt agreed and noted as Regents they have a fiduciary duty. Mr. Stowe Shoemaker, Dean, UNLV, thanked the Regents for their support. Dean Shoemaker pointed out the fundraising is not only taking place in Nevada but outside the state with major brands such as Marriott.

11. Information Only – New Business – Regent Crear reiterated he would like to see the School of Medicine come back with an analysis of positions whose salaries are contingent upon their success in the Practice Plan and also a plan for how current debt will carry forward.

12. Information Only – Public Comment – None.

The meeting adjourned at 10:50 a.m.

Prepared by:

Angela R. Palmer
Special Assistant and Coordinator
to the Board of Regents

Submitted for approval by:

R. Scott Young
Acting Chief of Staff
to the Board of Regents