

**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 4, 2014

Video or Telephone 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
Mr. Robert J. Blakely
Dr. Mark W. Doubrava
Mr. Ron Knecht
Ms. Allison Stephens

Others Present: Mr. Daniel J. Klaich, Chancellor
Ms. Brooke Nielsen, Vice Chancellor, Legal Affairs
Mr. Vic Redding, Vice Chancellor, Finance & Administration
Dr. Marcia Turner, Vice Chancellor, Health Sciences
Mr. R. Scott Young, Deputy Chief of Staff to the Board of Regents
Dr. Mike Richards, President, CSN
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 Michael B. Wixom called the meeting to order at 9:02 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 4, 2014, meeting minutes. (*Ref. BF-2a on file in the Board Office.*)

2. Approved – Consent Items (Agenda Item #2) – (Continued)
- 2b. Approved – Fiscal Year 2013-2014 NSHE State Operating Budget to Actual Comparison (Agenda Item #2b) - The Committee recommended approval and acceptance of the report of the Fiscal Year 2013-2014 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 2013-2014 State Accountability Report – Board of Regents’ Approved Budget to Actual (Agenda Item #2c) – The Committee recommended approval and acceptance of the Fiscal Year 2013-2014 State Accountability Report. (Ref. BF-2c(1) & Ref. BF-2c(2) on file in the Board Office.)
- 2d. Approved – Fiscal Year 2013-2014 NSHE Self-Supporting Budget to Actual Comparison (Agenda Item #2d) - The Committee recommended approval and acceptance of the report of the Fiscal Year 2013-2014 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 2014-2015 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 2014-2015 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.)
- 2f. Approved – First Quarter Fiscal Year 2014-2015 NSHE All Funds Report (Agenda Item #2f) - The Committee recommended approval and acceptance of the first quarter Fiscal Year 2014-2015 All Funds report for the NSHE. (Ref. BF-2f(1) & Ref. BF-2f(2) on file in the Board Office.)
- 2g. Approved – Student Association Report (Agenda Item #2g) – The Committee recommended approval and acceptance of the NSHE Student Association reports for Fiscal Year 2013-2014. (Ref. BF-2g(1) & Ref. BF-2g(2) on file in the Board Office.)
- 2h. Approved – Slot Tax Bond, Series 2015A Resolution – The Committee recommended approval and acceptance of an updated Bond resolution authorizing the issuance of State of Nevada General Obligation (Limited Tax) University System Project Bonds (Revenue Supported), Series 2015A (previously Series 2014F), on behalf and in the name of the State of Nevada, in cooperation with the State Treasurer for construction and financing costs as authorized in Assembly Bill 501 (Chapter 514, *Statutes of Nevada, 2013*) and Assembly Bill 335 (Chapter 507, *Statutes of Nevada, 2013*). (Ref. BF-2h on file in the Board Office.)

Regent Robert J. Blakely moved approval of the Consent Items. Regent Allison Stephens seconded. Motion carried.

3. Information Only – First Quarter Fiscal Year 2014-2015 Fiscal Exception and Status of State Appropriations (Agenda Item #3) – The first quarter Fiscal Year 2014-2015 report of fiscal exceptions of Self Supporting accounts and status of State Supported Operating Budget appropriations were presented. (*Ref. BF-3a & Ref. BF-3b on file in the Board Office.*)

Mr. Vic Redding, Vice Chancellor, Finance & Administration, reviewed *Ref. BF-3a and Ref. BF-3b* highlighting the following accounts requiring reporting:

- The University of Nevada, Reno (UNR) Fire Science Academy (FSA) reported a cash deficit of \$8.9 million.
- The UNR Intercollegiate Athletics (ICA) program reported a cash deficit of \$6.55 million.
- The University of Nevada School of Medicine (UNSOM) Reno Practice Plan accounts are experiencing cash flow issues. Partial payments on the accounts have been made subsequent to the September 30th report date.
- The University of Nevada's SOM Hospital Accounts Receivable Aging Schedule as of September 30, 2014, reflects the University Medical Center (UMC) account with an outstanding balance of \$1.9 million between 60 and 90 days. Payment of \$1.88 million was received in October.

Regent Blakely was concerned with the UNSOM accounts receivable. Dr. Thomas Schwenk, Dean, University of Nevada School of Medicine, reported this was a persistent problem because of structural reasons. The respective budgets have been finalized and should be approved by the respective boards in January. The UMC issue is more complicated this year because of a number of new initiatives related to the Cardiology Fellowship. Regent Blakely reiterated the accounts receivables were growing. Dean Schwenk stated they are in the process of changing systems and he believed these were overstated because of this change.

Regent Stephens clarified there was a \$1.9 million balance but a payment has since been received. She asked what a reasonable expectation would be to have this settled. Dean Schwenk would like it settled by the end of the fiscal year.

Chair Wixom asked what the average age of the accounts receivable aging was. Regent Blakely believed it was 60 – 90 days.

Chair Wixom asked UNR if they were still trying to clear the FSA deficit on an opportunistic basis. Dr. Marc Johnson, President ,UNR, stated they were currently looking at liquidating property to apply to the deficit.

4. Approved – Additional Student Fee Revenues – State Operating Budget (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 2014-2015. (*Ref. BF-4 on file in the Board Office.*)

Vice Chancellor Redding summarized *Ref. BF-4* and reported a correction to the Dental School of Medicine (bottom page 1) of \$378,790.

4. Approved – Additional Student Fee Revenues – State Operating Budget (Agenda Item #4) – (Continued)

Regent Mark Doubrava moved approval to expend excess student registration fee revenues for the purpose of funding additional adjunct faculty costs and to seek legislative IFC authorization to expend any additional student fee revenues, not utilized for adjunct faculty, within the State Supported Operating Budget for Fiscal Year 2014-2015. Regent Stephens seconded. Motion carried.

5. Approved – Financing Plans and University Revenue Bond Resolution for UNLV Thomas and Mack, UNR Mackay Stadium, and Bond and Note Refunding - The Committee recommended approval of financing plans for the Thomas and Mack Center project (UNLV) and Mackay Stadium Project (UNR); approval of a resolution authorizing the issuance of University Revenue Bonds, Series 2015A and 2015B in the combined maximum principal amount of \$78.725 million for UNR project financing not to exceed \$12 million; UNLV project financing not to exceed \$13.7 million; and bond and note refunding not to exceed \$53.025 million. (Ref. BF-5 on file in the Board Office.)

Vice Chancellor Redding summarized the three items presented for approval and noted campus personnel would present their respective projects.

Mr. Doug Knuth, Athletic Director, UNR, reported this project began as a survey of fans, alumni and community. The results of the survey prompted this project which includes improvements such as widening aisles, adding handrails, American Disabilities Act (ADA) seating, permanent restrooms, comfortable seating, and a club level.

Regent Ron Knecht asked if student fees were insulated from this proposal. President Johnson reported they have guaranteed the first two years of payments with Foundation gifts. Intercollegiate Athletics has assured the University they will put any overage into a reserve to be a self-protecting mechanism and then the next level of recourse would be the general Athletic Budget. University funds are a last resort.

Vice Chair Kevin C. Melcher stated as a season ticket holder he pointed out the safety concerns in the stadium are real. He personally knows of many elderly supporters who have quit coming to the games because of the safety concerns. The stadium is in need of upgrades and needs to be an inviting facility that encourages fans to come.

Regent Stephens stated the bottom line is they have a facility that has become a liability and these are appropriate and practical upgrades.

Regent Blakely voiced his support of the UNR proposal.

5. Approved – Financing Plans and University Revenue Bond Resolution for UNLV Thomas and Mack, UNR Mackay Stadium, and Bond and Note Refunding – (Continued)

Vice Chair Melcher moved approval of financing plans for the Thomas and Mack Center project (UNLV) and Mackay Stadium Project (UNR), a resolution authorizing the issuance of University Revenue Bonds, Series 2015A and 2015B in the combined maximum principal amount of \$78.725 million for UNR project financing not to exceed \$12 million and UNLV project financing not to exceed \$13.7 million and bond and note refunding not to exceed \$53.025 million. Regent Blakely seconded.

Chair Wixom understood projecting revenues and seat sales is a fickle business and asked for some comfort as to the ability to sell what is needed to service the bonds. Mr. Knuth stated the number of seats in the stadium is actually being reduced by approximately 4,000 seats (seven sections) with the renovations. In those seven sections they currently sell 4,500 season tickets. After the renovation the total number of seats will be 4,100. The projection they chose is 59 percent sell through. Second projections of 75 percent sell through projects \$8.5 million over the 15 years of the bond. The department has 18 months to sell this. All season ticket holders have a personal sales representative to communicate with. They are encouraged the decisions made will have positive results. Chair Wixom asked what happens if all 4,500 season tickets holders return. Mr. Knuth stated there is attrition every year and anticipate there are a fair number of people who will want to move up to club level. Chair Wixom asked how they will ensure a pleasurable student experience. Mr. Knuth noted this project does not include the student sections, but they will work with the student leadership to make sure they have a great student experience.

President Johnson reported the value of season ticket sales has increased over the last five years. They have 30 percent more season ticket sales than five years ago. President Johnson reiterated two \$1 million gifts have been guaranteed for payment.

Chair Wixom asked if there is a segregated revenue reserve, in an interest bearing account, to service the debt after the gifts are used. Ms. Kendra Follette, Bond Counsel, Sherman and Howard, stated there is not a reserve on the bond side, but the University can internally segregate the funds. Chair Wixom stated he wanted it on the record that there is a separate line item of the segregated funds so they can only be used for retiring the bonds with these ticket proceeds, as to the UNR portion of this agenda item.

Regent Knecht agreed with the need for a reserve and because of that comfort he will vote in the affirmative for this item.

Mr. Gerry Bomotti, Vice President, Finance and Administration, UNLV, stated they were asking the Committee to allow them the ability to add donor funds to the slot tax money coming from the state. They propose to add a \$1 fee per ticket, to generate approximately \$500,000. They would then take existing debt for the Thomas and Mack and extend it to 10 years so they can get approximately \$13 million to put in the pool to

5. Approved – Financing Plans and University Revenue Bond Resolution for UNLV Thomas and Mack, UNR Mackay Stadium, and Bond and Note Refunding – (Continued)

make the necessary changes to make Thomas and Mack a state of the art facility. UNLV did do a Request for Proposal (RFP) to look for a consultant to help look at corporate sponsorship opportunities related to the Thomas and Mack, Cox Pavilion and Mendenhall Facility. They did choose a consultant and they will receive a ‘success fee’ based on the corporate sponsorship naming they bring to these entities.

Chair Wixom stated he is very supportive of the Thomas and Mack renovation and he has become increasingly aware of the role the arena plays in the community and the University.

Regent Knecht stated UNR is assuming a 3 percent inflation rate and if it is lower it would lower the costs. He asked if it would have an effect on the revenue. Mr. Knuth stated there was a 3 percent escalator built into the revenue projection over the 15 years of the bond. President Johnson stated there is an assumption ticket prices will be increased on a regular basis. Regent Blakely believed the 3 percent followed a historical precedent.

Chair Wixom asked when they anticipate the commencement of construction. President Johnson stated construction will begin December 2015 and be complete by Fall 2016. Mr. Bomotti stated because there were multiple funding sources for their project they have started construction on the back side of Thomas and Mack.

Motion carried.

6. Information Only – Business and Finance Reporting - The Committee, at its September 4, 2014, meeting, requested the NSHE Business Officers review the current reports received by the Committee and provide suggestions and recommendations regarding more useful real time reports. Such reports will enable Regents to more effectively understand and address issues as they arise so Regents can respond proactively and appropriately as a Committee.

Chancellor Daniel J. Klaich and Vice Chancellor Redding noted all financial reports were compiled and presented to the business officers. Their feedback was similar to the discussion at the last Board meeting including reports were dated, require substantial amount of manual work and do not have a lot of management use on the campus level. Chancellor Klaich stated there was a companion item on the Audit agenda to create more reports of value to the Board and campuses and fewer reports that provide little policy value to the Board.

Regent Knecht agreed some of the current reports provide marginal value. They need more long term actual spending and cost data. iNtegrate II will provide an opportunity for more analytical data which will help the Board and the public in the long term.

Vice Chair Melcher looked forward to the process of providing less, better quality data to the Board, but asked they are mindful backup information may still be requested.

Regent Stephens stated she was a fan of dashboards, which have become the standard for most governing boards.

6. Information Only – Business and Finance Reporting – (Continued)

Vice Chancellor Redding noted some of the reports have evolved because of the constraints with the current system. That is why iNtegrate II is so exciting. Chair Wixom stated the intent of the discussion is to identify and provide the most effective reporting mechanisms, so the Board can respond in a timely fashion.

7. Approved - HANDBOOK Revision, Emergency Alert System – The Committee recommended approval of an amendment to Board policy concerning emergency alert systems (*Title 4, Chapter 1, new Section 33*). The policy requires each NSHE institution to establish an opt-out emergency alert notification system for the institution's students, faculty and staff. (*Ref. BF-7*)

Ms. Brooke Nielsen, Vice Chancellor, Legal Affairs, presented an opt-out emergency alert notification system policy to enhance the safety of the institution's students, faculty and staff. NSHE has three institutions using an opt-in system, four using an opt-out and TMCC uses a different program. An opt-out system will create the highest level of participation.

Regent Knecht believed this was another unfunded mandate and asked if there is a legal liability being generated by the use of this type of system. Vice Chancellor Nielsen believed the greater risk was to not implement the system.

Vice Chair Melcher reported the City of Elko instituted an opt-in program and it has been helpful. He asked if there will be an opportunity for others that frequent campus to be included in the program. Vice Chancellor Nielsen stated faculty, students and staff will have to opt-out but the system did not preclude other groups from being included.

Regent Stephens asked why UNR hasn't been using the opt-out program. Vice Chancellor Nielsen stated since there was no Board policy there was significant concern and resistance because it might be used for other purposes. Dr. Mike Richards, President, CSN, noted by way of correction CSN uses an opt-out system. Mr. Adam Garcia, Chief of Police, UNR, stated he has been an advocate of an opt-out system for years. UNR has built many redundant systems in their processes to deliver emergency communications, including text, email, siren, radio, telephone and computer calls. They wanted to build a system in which they would be able to communicate with the campus in a number of different ways. This is a natural evolution and many institutions across the county are moving in this direction.

Regent Knecht moved approval of an amendment to Board policy concerning emergency alert systems (*Title 4, Chapter 1, new Section 33*). Regent Mark W. Doubrava seconded. Motion carried.

8. Information Only – New Business – None.

9. Information Only – Public Comment – None.

The meeting adjourned at 10:38 a.m.

Prepared by:

Angela R. Palmer
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Submitted for approval by:

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