

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 2016 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 3, 2015

Video and 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. Kevin J. Page, Chair
 Mr. Robert Davidson, Vice Chair
 Mr. Cedric Crear (*via telephone*)
 Dr. Mark W. Doubrava

Members Absent: Mr. James Dean Leavitt

Others Present: Mr. Daniel J. Klaich, Chancellor
 Mr. Vic Redding, Vice Chancellor, Finance & Administration
 Dr. Marcia Turner, Vice Chancellor, Health Sciences
 Mr. Larry Eardley, Associate Vice Chancellor, Business & Finance
 Mr. Dean J. Gould, Chief of Staff & Special Counsel to the Board of Regents
 Mr. Jamie Hullman, Director, Finance
 Mr. Nicholas Vaskov, System Counsel and Director of Real Estate Planning
 Mr. Frank R. Woodbeck, Executive Director, Nevada College Collaborative
 Dr. Stephen G. Wells, President, DRI
 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 9:31 a.m. with all members present except Regent James Dean Leavitt.

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 September 10, 2015, meeting minutes. (*Ref. BF-2a on file in the Board Office.*)

2. Approved – Consent Items – (Continued)

- 2b. Approved – Fiscal Year 2014-2015 NSHE State Operating Budget to Actual Comparison – The Committee recommended approval and acceptance of the report of the Fiscal Year (FY) 2014-2015 State Operating Budget to Actual Comparison for the Nevada System of Higher Education (NSHE). (Ref. BF-2b(1) & Ref. BF-2b(2) on file in the Board Office.)
- 2c. Approved – Fiscal Year-End 2014-2015 State Accountability Report – Board of Regents’ Approved Budget to Actual – The Committee recommended approval and acceptance of the report of the fiscal year-end 2014-2015 State Accountability Report. The System is required to submit to the State Executive Budget Office and Legislative Counsel Bureau for their acceptance an accountability report reconciling the Board of Regents’ approved State Supported Operating Budget to the fiscal year-end actual revenues and expenditures. (Ref. BF-2c(1) & Ref. BF-2c(2) on file in the Board Office.)
- 2d. Approved – Fiscal Year 2015-2016 State Accountability Report – The Committee recommended approval and acceptance of the report of the FY 2015-2016 State Accountability Report. The System is required to submit to the State Executive Budget Office and Legislative Counsel Bureau (LCB) for their acceptance an accountability report reconciling the Legislative approved budget to the Board of Regent’s approved budget. (Ref. BF-2d(1) & Ref. BF-2d(2) on file in the Board Office.)
- 2e. Approved – Fiscal Year 2014-2015 NSHE Self-Supporting Budget to Actual Comparison – The Committee recommended approval and acceptance of the report of the FY 2014-2015 Self-Supporting Budget to Actual Comparison for the NSHE. (Ref. BF-2e(1) & Ref. BF-2e(2) on file in the Board Office.)
- 2f. Approved – First Quarter Fiscal Year 2015-2016 Budget Transfers, State Supported or Self-Supporting Operating Budgets – The Committee recommended approval and acceptance of the report of the first quarter FY 2015-2016 budget transfers of State Supported or Self-Supporting Operating Budget funds between functions. (Ref. BF-2f(1) & Ref. BF-2f(2) on file in the Board Office.)
- 2g. Approved – First Quarter Fiscal Year 2015-2016 NSHE All Funds Report – The Committee recommended approval and acceptance of the first quarter FY 2015-2016 All Funds Report for the NSHE. (Ref. BF-2g(1) & Ref. BF-2g(2) on file in the Board Office.)
- 2h. Approved – Student Association Reports – The Committee recommended approval and acceptance of the NSHE Student Association Reports for FY 2014-2015. Title 4, Chapter 20, B, Section 2(4) of the Regents *Handbook* requires each student association to annually report to the Board by December the association’s revenues, expenditures and ending account balances for the preceding fiscal year. (Ref. BF-2h(1) & Ref. BF-2h(2) on file in the Board Office.)

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

3. Information Only – First Quarter Fiscal Year 2015-2016 Fiscal Exceptions and Status of State Appropriations – The first quarter FY 2015-2016 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.*)

Associate Vice Chancellor Larry Eardley, 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 and the operating deficit remained unchanged from the beginning of last fiscal year.
- The UNR Intercollegiate Athletics (ICA) program reported a cash deficit of \$7.5 million. The external auditors recommended ICA begin transferring expenses directly to Foundation accounts, rather than having the Foundation transfer funds at year end.

Chair Page asked UNR President Marc Johnson if UNR agreed with the recommendation. Associate Vice President Bruce Shively, Planning, Budget, and Analysis, reported UNR was in the process of establishing the Foundation accounts and will be transferring expenses from the first and second quarters. Beginning January 1, 2016, UNR will directly expense against the Foundation accounts.

- The University of Nevada School of Medicine (UNSOM) Reno Practice Plan reported a total negative cash balance of approximately \$5.6 million. Partial payments of approximately \$308,000 have been made subsequent to the September 30th report date.
- The UNSOM Las Vegas Practice plan accounts reported a total negative cash balance of \$1.5 million. Partial payments of approximately \$1.2 million have been made subsequent to the September 30th report date.
- The UNSOM Hospital Accounts Receivable Aging Schedule as of September 30, 2015, reflects the Veterans Administration Las Vegas account was paid current in October and the Veterans Administration Reno account received \$175,000 in October and \$158,000 in December reducing their outstanding balance to \$171,000.
- The Northern Nevada Medical Health Account received \$5,585 in August. There is a remaining balance of \$2,250 and is subject to Nevada's Stale Claim Fund Account.
- Payment is pending on Renown's account receivables of \$394,000 until an audit of the residents' duty hours is completed.
- Sunrise Hospital had outstanding receivables as of September 30th totaling \$331,000. Payment of \$148,000 was received in October. The UNSOM is working with Sunrise Hospital to provide the requested information and documentation on the remaining balance.
- The University Medical Center (UMC) account had an outstanding balance of \$1.1 million and was paid in October with the exception of \$87,000 which is being disputed over the billing of physician services.

4. Approved – Financing Plan and Resolution for University of Nevada, Reno, 2017 Residence Hall and Bond Refunding and Bond Prepayment Approval – The Committee recommended approval of financing plans for the UNR 2017 Residence Hall project and a resolution authorizing the issuance of Certificates of Participation, series 2016A in the maximum amount not to exceed \$67.5 million for UNR project financing not to exceed \$53.25 million and bond refunding not to exceed \$14.25 million. The Committee also recommended approval to prepay certain debt obligations of NSHE maturing on July 1, 2016. (*Ref. BF-4 on file in the Board Office.*)

Associate Vice Chancellor Eardley reported in September 2015 the Committee recommended approval and the Board approved UNR to proceed with the development of a new student residence hall and a funding plan using institution reserves and Certificates of Participation. UNR has finalized the funding plan for the UNR 2017 Residence Hall project with a projected total of \$62.7 million of which \$10.5 million will come from institution reserves and the remaining will be financed by NSHE Certificates of Participation.

Chair Page asked what the total amount was to prepay certain debt obligations. Mr. John Peterson, JNA Consulting Group, noted the System issued bonds in 2005 and 2006, and the bonds become pre-payable January 1, 2016. The proposal is to prepay the maturity of the 2005 B University Revenue Bonds totaling \$5.5 million in principal and to prepay approximately \$660,000 in principal for the 2006 A Certificates of Participation. The estimated interest savings is \$138,000 and \$16,000 respectively.

Chair Page asked what UNR's plan is if enrollment begins to level off or decrease since a residence hall cannot be used for something else. President Johnson did not anticipate any problems filling the residence hall since there are 450 students currently living in triple rooms which are not designed as such. There is also an unmet demand of sophomores and juniors which UNR has been unable to fulfill. Chancellor Daniel J. Klaich asked if the married student housing was at capacity. President Johnson stated it was filled to capacity the first term.

Regent Doubrava was still uncomfortable with the reliance on Western Undergraduate Exchange (WUE) students to fill the new residence halls. Vice Chair Davidson asked President Johnson to comment on Regent Doubrava's concern. President Johnson reported UNR received approval to raise the tuition price for WUE students beginning in fall 2016. UNR will still have a competitive tuition rate.

Chair Page asked why UNR was not building a residence hall with three to a room instead of two to a room, which would mean fewer residence halls over time. Vice President Shannon Ellis, Student Services, noted UNR had 600 returning students who requested to live in University housing. More than 300 of those students were turned away. In addition to the 450 students currently living in triple rooms, UNR does know from past history related to the number of students turned away, UNR will fill this residence hall. Vice President Ellis stated there are times when triple rooms are better and after this residence hall UNR will look at additional variations of the number of students in residence hall rooms. Vice President Ellis stated the strength of the UNR residence hall system is the number of options available. There are students who want a traditional residence hall, those who want apartment living, and those who want suite-style living. UNR believes this is why there is such a high demand for residence hall living. Chancellor Klaich added in the current market situation UNR can make money by owning residence halls.

4. Approved – Financing Plan and Resolution for University of Nevada, Reno, 2017 Residence Hall and Bond Refunding and Bond Prepayment Approval – (Continued)

Regent Doubrava asked how many students in the residence halls receive a housing allowance of some kind. Vice President Ellis stated UNR did have a program for freshman students, particularly Clark County students, but no longer has the program. Regent Doubrava thanked everyone for their helpful comments and he would support the item.

Regent Doubrava moved approval of the financing plans for the UNR 2017 Residence Hall project and a resolution authorizing the issuance of Certificates of Participation, series 2016A in the maximum amount not to exceed \$67.5 million for the UNR project financing not to exceed \$53.25 million and bond refunding not to exceed \$14.25 million, as well as approval to prepay certain debt obligations of NSHE maturing on July 1, 2016. Regent Davidson seconded. Motion carried. Regent Leavitt was absent.

5. Information Only – University of Nevada School of Medicine General Principles for Managing Practice Plan Debt – Dean Thomas Schwenk, UNSOM, presented an update on the UNSOM's general principles for managing Practice Plan debt. (*Ref. BF-5 on file in the Board Office.*)

Dean Schwenk reported at a meeting the night before the principals of the two Universities discussed the shared vision for the Practice Plan transition to the Las Vegas campus. The Universities agreed the transition will take place July 1, 2017. A series of action steps have been created to present a united front for all those concerned. The activities of UNSOM in Las Vegas will cease on June 30, 2017, and the transition of patient care will begin on July 1, 2017, under a different Practice Plan structure. Dean Schwenk pointed out the debt is required to be paid first within the agreement and will begin with the liquidation of reserves. There are inadequate reserves to retire the entire debt.

Chancellor Klaich stated he asked President Johnson to instruct Dean Schwenk to not liquidate any of the cash accounts while this discussion occurs. He believed it was more prudent to not liquidate any debt until all the discussions and decisions are made relating to the transition and how it will be managed. President Johnson clarified UNLV will create its own new Practice Plan corporation, UNSOM will continue with its existing Practice Plan and will carry any deficits which accrue between now and July 2017.

Regent Doubrava was confused because the faculty members would eventually move over to the new UNLV Practice Plan. He asked who would then generate the revenue to retire the long term debt. Dean Schwenk stated it would be the Northern Practice Plan's responsibility. Dean Schwenk clarified the debt is not an annual operating deficit but a specific UNR debt for faculty salaries and specific UNSOM debt for academic support. There are many vendors but they are managed in other ways.

Chair Page asked what the operating debt was at the current time. Dean Schwenk stated the numbers through September 2015 are an operating deficit of \$1.5 million in the south and \$.5 million in the north. As the numbers for October 2015 are finalized the south has a positive margin and a slight negative in the north.

5. Information Only – University of Nevada School of Medicine General Principles for Managing Practice Plan Debt – (Continued)

Chair Page asked if the Practice Plan had lost faculty members. Dean Schwenk stated they have lost some due to salaries not being market competitive and some who left for personal reasons.

Vice Chair Davidson was not worried about a good transition but asked if the reasons for the losses were going to be different in the future. Dean Schwenk did believe things will be different. In FY 2015 Medicare reimbursement was very poor, there was an unexpected decline in mental health reimbursements, costs for electronic medical records also began during the fiscal year and there were one-time expenses due to faculty changes.

Chancellor Klaich stated there is a lot more involved in this transition than just the Practice Plan. He asked if there is an asset to use in the overall solution why would the Practice Plan liquidate the asset to pay the internal debt. Dean Schwenk stated there is a certain obligation to use the reserves for that purpose.

Regent Doubrava understood this was a difficult job and acknowledged the hard work of all involved.

6. Information Only – University of Nevada School of Medicine Faculty Salary – Dean Schwenk presented an update on faculty hired at market rates to ensure they were generating adequate support for their salary and fringe benefit expense. (Ref. BF-6 on file in the Board Office.)

Regent Cedric Crear stated the update was responsive to his request and asked that this update be brought back on an annual basis.

7. Information Only - UNLV Marketing Campaign – Senior Vice President Vince Alberta, Marketing, Communications, and Brand Strategy, presented UNLV's upcoming university-wide marketing campaign. (Ref. BF-7 on file in the Board Office.)

Senior Vice President Alberta presented: the areas of focus, goals, strategies, McCarran Airport billboards, fall welcome video, brand integrations, campaign phases, and campaign elements.

8. Information Only - UNLV Hotel College Academic Building Fundraising - President Len Jessup provided an update on fundraising efforts for the UNLV Hotel College academic building. (Ref. BF-8 on file in the Board Office.)

President Jessup reported UNLV has received two additional pledges which brings the pledge total to \$21.8 million of the required \$24.4 million pledge match.

Chair Page asked what the tone of the project is. Dean Stowe Shoemaker, UNLV Hotel College, stated the industry is very excited with what is happening in the Hotel College.

Chair Page asked if they needed the total pledge package prior to the groundbreaking. Chancellor Klaich stated typically they would need the cash in the bank or at least the ability to draw from it or a line of credit.

9. Information Only - UNLV School of Medicine Fundraising - President Len Jessup provided an update on fundraising efforts for the UNLV School of Medicine. (*Ref. BF-9 on file in the Board Office.*)

President Jessup stated UNLV is currently working on the cultivation of a naming gift and will continue scholarship fundraising for the first class.
10. New Business – Regent Crear requested an annual update on faculty hired at market rates to ensure they are generating adequate support for their salary and fringe benefit expense.
11. Information Only – Public Comment – None.

The meeting adjourned at 11:06 p.m.

Prepared by:

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

Submitted for approval by:

Dean J. Gould
Chief of Staff and Special Counsel
to the Board of Regents