SPECIAL MEETING
BOARD OF REGENTS
UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA
Tam Alumni Center
University of Nevada, Las Vegas
4505 Maryland Parkway, Las Vegas
Wednesday, January 16, 2002

Members Present4

agreement

Regent Sisolak noted that $4 million was an accumulated deficit (float from other accounts). He observed a $183,828 transfer in FY1999-00 from the property acquisition account to the FSA. He noted another transfer this fiscal year, transferring the money back to the property acquisition account and asked about the source of funds. Dr. Ashok Dhingra, Vice President, Administration and Finance-UNR, replied that this information was provided at the Henderson meeting, when it was reported that the FSA was in the black at that time (only due to the transfers made). Regent Sisolak asked whether the Board had discussed or voted on the transfer. Dr. Dhingra replied that they did not. Regent Sisolak was dismayed that such a transfer could occur without Board knowledge. He asked about the source of funds used when the academy was operating with a $4 million deficit. Dr. Dhingra replied that the property acquisition account had money available to address the deficit. The transaction was reversed in order to properly reflect the FSA debt. Regent Sisolak asked about the source of funds transferred to the FSA to eliminate the deficit. Dr. Dhingra explained that the university has several unrestricted accounts, which provide working capital for the university. He said that the working capital was used to carry the FSA, adding that the Board had complete knowledge of the transfers and the deficit. Regent Sisolak begged to differ. He recalled discussions surrounding the deficit and not establishing reserves, which would create an even larger deficit. President Lilley explained that it was similar to a bank; if all depositors demanded their money simultaneously, the bank would be unable to satisfy the demand. He was under the impression that all deficits were reported to the Board's Finance & Planning Committee. Regent Sisolak expressed concern that significant funds could be transferred from one account to another without Board knowledge. Dr. Dhingra noted that the president has authority to transfer money in those accounts.

[illegible] fundraising efforts would be any more successful than prior attempts. He [illegible] plans and marketing strategies had been proposed, adding that the projected enroll[illegible] s had [illegible] retire the debt because he felt it was easier to raise money to purchase property surrounding the campus than it would be to raise money for the FSA. President Lilley stated that fundraising was a difficult business. He said that UNR needed to reestablish the FSA's reputation in order to fundraise successfully. He noted that fundraising to purchase individual parcels was also difficult.

Regent Sisolak asked about the maximum amount that could be reserved/floated Dr. Dhingra stated that he felt the institution should float nothing. He noted that the Board had to approve the transfer of funds to service deficit accounts. He related that Board policy also required provision of a performance statement for repayment. None of the accounts were able to relinquish money to resolve the debt. He said that those deficits were reported until the issue was resolved, adding that it was not a good practice. He noted that a loan could be approved, but it required a plan for repayment, such as was proposed by President Lilley. Regent Sisolak requested a figure for what could be floated (like the $4 million). Dr. Dhingra related there was no figure. Regent Sisolak asked whether $10, $20 or $31 million could be floated. Dr. Dhingra replied that it was not a good practice. Regent Sisolak asked when the Board was notified, adding that it was not addressed in Audit Committee. Dr. Dhingra apologized for previously stating that the Board had approved/blessed the deficits. He related that he meant to convey that the Board had complete knowledge of it. He related that it was reported at each Finance & Planning Committee meeting, adding that it was not hidden. Regent Sisolak felt that it was hidden from him, adding that it was never revealed in the Audit Committee and that he never blessed or approved it. Dr. Dhingra agreed that it was not a good policy and apologized for using the term "blessed".

Regent Alden said that, if he approved this, he was willing to sit in solitary confinement with the other Regents who approved the matter. He avowed that he never approved the $4 million deficit.

Regent Hill recalled a presentation to the Audit Committee on this matter prior to Regent Sisolak's participation. Dr. Dhingra replied that he could only recollect reporting to either the Audit Committee or the Finance & Planning Committee.

Regent Kirkpatrick noted a $3.96 million deficit in July 1, 2001 and asked about the deficit as of January 1, 2002. Dr. Dhingra replied that it was less than $5 million. President Lilley related there were some containment costs for security, adding they had mothballed the facility and reduced costs as much as possible. He related there was a small staff there and they had continued to spend money to prepare for the May reopening. Ms. Baclawski said that the numbers represented were accurate. Regent Kirkpatrick said they had been robbing Peter to pay Paul with the deficit. President Lilley stated that they had been using that set of accounts to pay for the deficit. Regent Kirkpatrick asked about the source of the $5 million. President Lilley equated the use of funds to a bank loan. The university effectively loaned money from the accounts to cover the deficit, which was reported to the Finance & Planning Committee as an exception. Regent Kirkpatrick asked whether those exceptions had been reported. Vice Chancellor Miles reported that they had. He noted that the fiscal exceptions report was a quarterly report that reported accounts in deficit or in a negative cash position. He related they had been coming to the Finance & Planning Committee since December 31, 1999. Regent Kirkpatrick asked whether they were cumulative. Vice Chancellor Miles replied that the report did show the accumulated deficit as well as the increased deficit over the previous quarter. Regent Kirkpatrick stated the he was skeptical of the figures provided in the business plan, adding that he saw no provision for faculty. Ms. Baclawski replied that the organizational chart included full-time equivalent employees responsible for running the facility. She noted that many instructors were hired on a per-class basis and were not full-time faculty. Regent Kirkpatrick asked whether instructional costs were included in the budget provided. Ms. Baclawski replied there were no instructor costs in Phase I because no courses were being offered. Instructor costs for Phase II were included under direct costs. Regent Kirkpatrick observed a $7.7 million deficit at the end of FY 2005. Ms. Baclawski replied there would be an [illegible]

Regent [illegible] settlement agreement included a provision for opening the facility. General Counsel Ray replied that the settlement agreement did not expressly obligate that. He explained that the settlement agreement required payment to GMAC. Regent Seastrand asked about other obligations. General Counsel Ray replied that, during the negotiation process, it was represented that UNR intended to reopen the facility, which related to damage claims and the necessity to make the repairs, in addition to promises made to prospective clients. Regent Seastrand asked about exposure to damage and risk if the facility did not reopen. General Counsel Ray replied that he did not believe there was any relating to the litigation settlement. He said that potential claims would involve advance fees paid by future clientele. Regent Seastrand asked where the money would go if the Board approved the $8.5 million loan. President Lilley replied that the money would be returned to the set of unrestricted accounts at the university. President Lilled

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