

Regent Alden moved approval of the supplemental lease agreement between DRI and the GSA acting on behalf of the DOE including the amended paragraph 17. Regent Seastrand seconded.

Regent Alden clarified that the building would be leased to GSA, the lease payments would be used to offset the debt on the building, and DRI would have use of the building. Mr. Alan Austin Jr., Vice President, Finance & Administration-DRI, agreed.

Motion carried. Regents Gallagher, Hill, and Hobbs were absent.

- The

Board approved authority for DRI to proceed with the sale of lease revenue bonds totaling \$8.6 million to pay for the construction of the Southern Nevada Science Center, Phase II. The Board of Regents, at its December 6-7, 2001 meeting, approved the selection of a bond underwriter for this bond issue. Morgan Stanley has been selected as the underwriter. The entire \$8.6 million in bonds authorized will be redeemed over time from the proceeds of a 20-year lease to the General Services Administration acting on behalf of the U.S. Department of Energy. The Board of Regents approved the lease at its August 16-17, 2001 meeting. (Ref. A on file in the Board office.)

Regent Alden moved approval of Resolution 01-14 regarding the sale of lease revenue bonds for the Southern Nevada Science Center, Phase II, DRI. Regent Howard seconded.

Regent Alden moved approval of the selection process. Mr. Austin replied that DRI solicited bids from a number of underwriters. Morgan Stanley was selected. Regent Alden asked about the interest rate. Mr. Austin replied that the rate would be determined following Board approval, adding that the Board had previously delegated authority to Vice Chancellor Dan Miles on this project. Regent Alden asked whether they would be tax-exempt bonds. Mr. Austin replied they would be taxable municipal bonds. Regent Alden asked about the yield. Mr. Austin replied that the underwriter had indicated the bonds would be similar to 10-year treasury bonds plus 150-180 basis points. Mr. Scot Nash, with Johnson Consulting Group, estimated that the bonds would be in the high 6% or low 7% range, adding that they were 20-year tax-exempt, municipal bonds traded higher than treasury bonds.

Motion carried. Regents Gallagher, Hill, and Hobbs were absent.

When the Board approved potential bill drafts to be submitted to the 2003 legislative session, the Board approved potential bill drafts to be submitted to the 2003 legislative session.

Chancellor Nichols presented three potential bill drafts, adding that the Board had seen them in previous years. Bill drafts are due to the legislative session; they are the same.

Regent Sisolak asked whether student fees would be used as a revenue stream for bonding on the Biotechnology Teaching/Research facility. President Lilley replied that bonding was preáí

Motion carried. Regents Gallagher, Hill, and Hobbs were absent.

- The Board approved the capital improvement program request for submittal to the State Public Works Board. (Ref. B on file in the Board office.)

Regent Sisolak moved approval of the proposed capital improvement priorities to be submitted to the State Public Works Board. Regent Derby seconded.

Chancellor Nichols explained the process:

- The campuses make requests.
- Board input is received.
- The Council of Presidents and the Chancellor create a priority list.
- The list is presented to the Board for final approval.

She related that, after receiving final Board approval, the list would be sent to the SPWB. The SPWB then makes their changes and submits the list to the governor. The governor then makes his changes and submits the list to the legislature, where the process is repeated. She explained that this was the first step in funding capital projects. She provided a summary of each project by institution, providing justification for each project. She related that the Board also had a list of all projects, including those not on the capital priority list. She indicated that the Board had a copy of the space study summary, as well as a list of the capital projects requested for 2001-2003, and information on which ones were funded last biennium. For the first time, the Board also had a summary of funding by institution of public/private funds since 1991. She related there were some errors in the material, which would be corrected regarding the public/private partnerships. She noted there was a listing of classroom and class lab usage by day of the week. She indicated that a summary would be provided depicting hourly classroom utilization at a future date. She said that she and the presidents were shocked and surprised to see the patterns of classroom utilization. Further review of classroom utilization will be conducted, but she felt the System had a serious problem with the under utilization of classrooms on Fridays and weekends. She indicated that she intended to return with recommendations in the future.

Chancellor Nichols then reviewed the Capital Priority List, adding that System priorities included:

- The results of the space study.
- Institutional priorities and established needs.
- Prior ranking on previous priority lists.
- Prior approval of state planning dollars. Generally, when the state invested planning money and the System did not move on the project, those funds were lost.
- The commitment of private dollars and other sources of revenue - also depended upon the System acting in a timely fashion.
- The urgency of the need (health, legal and safety issues).
- Cost savings available through renovation.

She indicated that the list differed from past lists. A much higher priority was given to renovation and expansion of existing facilities and there are fewer new buildings on the list. She recalled the Board asked to consider a recommendation for a set percentage in private dollars for capital projects. She did not bring forward a recommendation for a set percentage because she felt the overall picture should be considered. She related that each project included very different circumstances, where one campus might be able to raise significant funds for one building and none for another. She indicated that it was almost impossible to raise private funds for expansion and renovation.

- TMCC, CCSN, NSCH FF&E - The list began with a recommendation for furniture, furnishings, and equipment for three buildings anticipated to open in 2003-05 \$1.6 million for TMCC, \$4 million for CCSN, and \$2 million for NSCH. Chancellor Nichols related that the SPWB had adopted a practice of providing funds for buildings without considering the associated FF&E.

- UNLV Science & Engineering Building - This building includes a significant state investment of \$8.8 million in planning money. The university decided to raise an additional \$10 million in private funds, reducing the state obligation to \$41.2 million.

- CCSN Health Sciences Building - CCSN is raising \$500,000 in private funds to support this building, which also had state planning funds dedicated to it. It was not funded in the previous biennium.

- UNLV Student Services Addition - The Student Services addition was not funded in previous years.

Thursday, May 9, 2002- GBC Electrical & Industrial Technology Building - This building was not previously funded in error. The SPWB had a misunderstanding that the building was a High Tech Center, which it is not.

- UNR Planning Funds, Science & Math Education Center - If the request is funded, the project will move up in the priority list next biennium.

- UNR Campus Renovations Package - UNR is requesting funds for campus renovations, demonstrating the System's desire to preserve current holdings. The renovation package includes \$9.1 million in private money dedicated to the project.

- TMCC, WNCC, CCSN Campus Renovations/Infrastructure - These requests for campus renovations/infrastructure were combined due to their similarity. The request includes the critical need for HVAC replacement in the Red Mountain building at TMCC and planning dollars for renovation of that building. Smaller amounts were dedicated to WNCC-Carson Campus and CCSN projects.

- DRI-NNSC/Maxey Building Renovation/Addition - DRI's modest request for renovation to the Northern Nevada Science Center would significantly change the building's usage and would provide much-needed laboratory space.

- CCSN Charleston Library Addition - The addition to the Charleston library was recognized as a significant need in the space study.

- UNR Biotech Facility - The building is high on the Regents' priority list for economic development and research. It also includes a large portion of non-state funding (\$10 million-state and \$50 million-private/other funds).

- WNCC Manufacturing Tech Addition - Satisfying a program need as well as many safety issues.

- UCCSN Planning Funds, Millennium Bound Outreach Center/CCSN Outreach Center - \$0.8 million in planning funds requested. The request includes a request from Regent Howard to consider the possibility of building a structure for the Millennium Bound Outreach Center. A possible land gift could make that building a reality. That request was combined with a request from CCSN for an outreach center in North Las Vegas.

- UNLV Greenspun Urban Affairs College - A private gift of \$9.7 million from the Greenspun family provided an opportunity to move forward on this project, which would leverage state resources.

- CCSN Cheyenne Library Addition - Planning funds for an addition to the Cheyenne library, which was recognized as a significant need in the space study.

- DRI/TMCC Multi-purpose Center - Planning funds for a unique project allowing the use of shared space between two campuses located closely together.

- WNCC Fallon Library Addition - The project includes a matching private gift of \$0.15 million, which would provide much-needed library space.

- GBC Relocation of State Animal Lab - A joint proposal with the State Department of Agriculture, which includes significant safety issues.

- Academic Medical Center - A placeholder with no request for state funds. Simply a means of notifying the state of System plans.

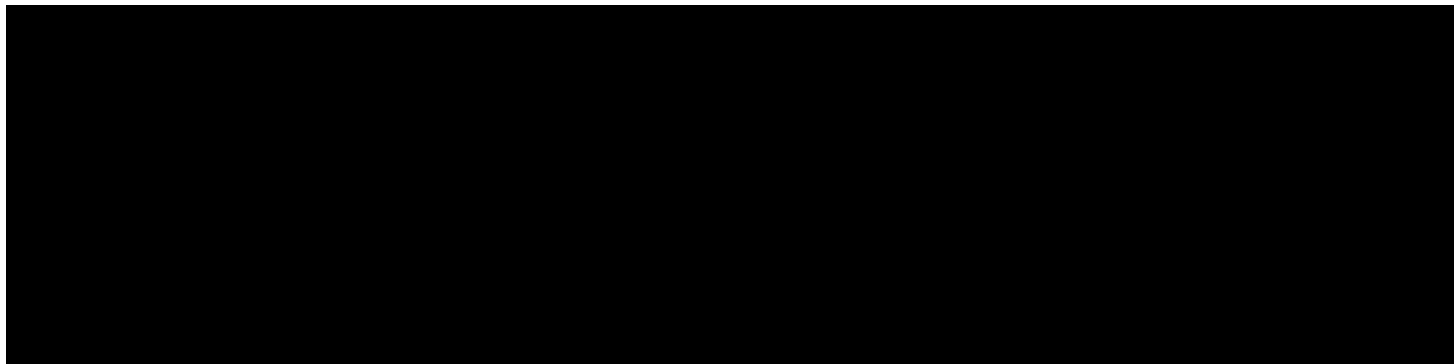
- Maintenance and Repairs - \$20 million request for maintenance and repairs. The System receives \$10 million from HECC and \$5 million from SHECC. This year, they are requesting an additional \$5 million due to the lengthy list of repairs needed.

Chancellor Nichols stated that some Board members were very concerned about the request for rare equipment which

Regent Sisolak expressed displeasure in receiving reference material shortly before the meeting. He said that it would be helpful to receive such material earlier in order to provide sufficient time for review. He was troubled that the graphic representation of classroom usage was presented using different scales for each institution, adding that it was very misleading. Chancellor Nichols agreed it was misleading, but assured the Board it was not intentional. She agreed that the scale on the axis should have been the same. She felt that the first page provided the best comparison. Regent Sisolak

Regent Seastrand left the meeting.

Regent Alden thanked the staff for providing well-prepared materials, adding that it would be helpful to receive the material sooner. He fervently disagreed with the priority schedule. He mentioned that the System has a problem with project overruns, adding that Seastrand left the meeting for feedback from UNLV. He was disturbed that a SPWB employee felt that Nevada architects and contractors were not qualified to work on buildings at UNLV. He felt the rules were then .



Sisolak seconded.

Regent Kirkpatrick requested clarification of discrepancies in material he obtained.

Regent Derby returned to the meeting.

Regent Kirkpatrick related that certain courses at CCSN had been incorrectly classified into a lower funding category, which was included in CCSN's budget proposal to System Administration. The error totaled \$7.6 million. He related that former CCSN Vice President Allen Ruter realized the error and brought it to the attention of System Administration staff prior to the System submitting the total UCCSN budget to the governor's office, but no corrective action was taken. Chancellor Nichols replied that was not correct. She explained that the complicating issue, which made assignment of blame impossible, was that the System had begun a discussion to review the new taxonomy established by the new formula. The community colleges proposed a new taxonomy that generated a new dollar amount for each of the campuses. She said that System staff spoke regularly and often about the different numbers but attributed the difference to the changes in the taxonomy for the community colleges. There was never an understanding that there was a separate, unrelated error until President Remington brought the matter to her attention last Fall. Once the error was realized, System staff immediately tried to identify the difference. She related that it was a tragic error. Regent Kirkpatrick doubted that the error existed for a year without anyone knowing. Chancellor Nichols replied that the campuses calculate the distribution of their credit hours. System Administration has no means of double-checking their figures. In the future, the campuses have requested that System Administration develop a process where the System calculates the distribution. This kind of error will not occur in the future because System Administration will run the numbers first and return the figures to the campuses for verification. Regent Kirkpatrick was pleased that a procedure had been developed to prevent it from happening again in the future. He recalled that the Estate Tax Committee meeting passed a resolution to maintain the estate tax fund at a certain level.

Vice Chancellor Miles clarified that the proposal was to endow the amount left in the estate tax fund at the end of the biennium and to limit future expenditures to the amount authorized in state law (\$2.5 million/year). By doing this, it would provide eventual endowment growth through the equity of the fund with limited expenditures. He reported that, at that Committee meeting, a forecast of the estate tax fund was presented, with an estimated balance of \$77 million. Since that time more receipts have been realized, and he was now forecasting a slightly higher estimated balance of \$80 million at the end of the biennium.

Regent Seastrand left the meeting.

Regent Kirkpatrick stated that the Committee had hoped the endowment would reach \$100 million in order to provide funding for EPSCoR and student financial aid. He expressed concern about CCSN's situation, adding that he felt the institution should be helped. He noted that CCSN was operating on a leaner budget than any other institution. He felt it would have been more appropriate, had the error been realized earlier, to re-compute the budget. He asked about the amount of estate tax funds devoted to hold harmless. Vice Chancellor Miles replied the amount was \$13 million for the biennium. Regent Kirkpatrick complained that the estate tax fund had already been depleted. He said that he urged the Board to support refunding the money to CCSN, but was opposed to using estate tax funds.

Regent Derby stated she was in support of protecting the estate tax fund. She agreed that it could be a valuable resource if protected and endowed. She was disappointed that the Chancellor's office was blamed for the error, adding that it was undeserved. She was disappointed with CCSN and hoped that the matter had been clarified. She was pleased that procedures had been developed to prevent such mistakes in the future. She felt it was important to focus on solutions.

Regent Sisolak felt there was enough finger pointing, blame, and excuses. He observed that many institutions were currently in a hold harmless situation, so the funds could not be redistributed. He felt it was inappropriate to put President Remington in an uncomfortable position. He noted that CCSN had been through an awful lot. He felt it was important for the faculty and students to realize that the president had addressed the issue. He also felt it important for the Board to support the president on this issue. He said that the community colleges were equally important. He agreed with protecting the estate tax fund, but felt it was the most logical

Motion carried. Regen