

BOARD OF REGENTS
BRIEFING PAPER

1. **Agenda Item Title:** Final Slot Tax Bond Proceeds Allocation and
Expenditure Report Approval
Meeting Date: June 11, 2015

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

April 19, 2013 Special Meeting of the Board of Regents

The Board approved a resolution directing the Chancellor to request passage of a bill by the 2013 Legislature to approve issuance of slot tax bonds with construction proceeds of approximately \$70 million (not including financing costs) for capital improvements to the campuses of UNR and UNLV.

June 11, 2013

The Governor signed into law AB501, which authorized the sale of State of Nevada general obligation bonds for projects at UNR and UNLV by the Board of Regents on behalf and in the name of the State of Nevada, in cooperation with the State Treasurer, with the approval of the State Board of Finance as provided in NRS 349.225 and consistent with the provisions of the State Securities Law.

The Governor also signed into law AB335, which authorized up to 2% of the proceeds of the sale of the proposed bonds for projects at UNLV to be applied to costs incurred by the University of Nevada, Las Vegas, Campus Improvement Authority.

September 5-6, 2013 Meeting of the Board of Regents

Per the Internal Revenue Code of 1986, the Board approved a resolution that would permit the reimbursement from proceeds of the planned, tax-exempt State of Nevada GO bonds for certain “up-front” expenses associated with the projects authorized by AB501 and AB335 approved by the 2013 Legislature.

June 5-6, 2014 Meeting of the Board of Regents

The Board approved a resolution authorizing the issuance of up to \$85 million of tax-exempt State of Nevada General Obligation (Limited Tax) University System Bonds (Revenue Supported), 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 AB501 and AB335.

September 4-5, 2014 Meeting of the Board of Regents Requested Action

Based on the most current data, a total of \$74.98M of bond construction proceeds was estimated as a result of the bond sale closing scheduled for September 24, 2014. The proceeds were to be split between UNLV and UNR projects with \$50.88M going to UNLV and \$24.10M going to UNR.

Bond proceeds from the sale were approved to be used to fund Thomas and Mack renovations at UNLV, and AB335 authorized UNLV to use not more than 2 percent of any money received from the issuance of slot tax bonds to provide money to the Campus Improvement Authority to carry out the provisions of the UNLV Campus Improvement Authority Law (AB335). The UNR projects include University of Nevada School of Medicine Las Vegas medical education projects, University of Nevada, Reno electrical system replacement, UNR Student Fitness/Wellness Center, UNR Engineering & Science building and existing Palmer and Scrugham building planning and renovation.

December 4-5, 2014 Meeting of the Board of Regents Requested Action

The Board approved an updated bond resolution authorizing the issuance of State of Nevada General Obligation (Limited Tax) University System Project Bonds (Revenue Supported), Series 2015A (previously approved as 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 AB501 and AB335.

March 10, 2015

The 2015A Slot Tax bond sale closing occurred on March 10, 2015. Total construction proceeds of \$80,112,428.53 were received as a result of the sale. The final amounts allocated to UNR and UNLV were \$25,724,173 and \$54,388,255, respectively. The final project allocation report for the proceeds received is attached.

Debt service payments for the new bonds will be funded by the existing Slot Tax funds.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Board approval is requested for the final slot tax bond proceeds project allocation report.

4. IMPETUS (WHY NOW?):

The bond closing occurred on 03/10/2015, the final construction proceeds amount is now available.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

N/A

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

N/A

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

N/A

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- Amends Current Board Policy: Title #__ Chapter #__ Section #__
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other:_____
- Fiscal Impact: Yes____ No x____
Explain: The bonds will be State of Nevada bonds and debt service payments will be funded with existing slot tax revenues.

Final Slot Tax Bond Funding Project Allocation Report

Institution	Project	Location	Total Projects	Bond Proceeds
UNLV	Thomas & Mack Center	Las Vegas	\$ 59,200,000	\$ 54,388,255
UNR	UNSOM LV Medical Education	Las Vegas	\$ 3,000,000	\$ 3,000,000
UNR	Electrical System Replacement	Reno	\$ 3,000,000	\$ 3,000,000
UNR	Student Fitness/Wellness Center	Reno	\$ 46,600,000	\$ 4,724,173
UNR	Engineering & Science Building Planning/Renovation	Reno	\$ 15,000,000	\$ 15,000,000
	UNR Subtotal		\$ 67,600,000	\$ 25,724,173
	NSHE Grand Total		\$ 126,800,000	\$ 80,112,429

University of Nevada, Reno - Projects for the Use of Slot Tax Bond Proceeds
May 5, 2015

1. Electrical System Replacement - \$3 Million

This request is from our 2013-15 CIP submission to the 2% Replacement Value Projects list. These funds would be used to replace portions of the 65-year-old 4 kV electrical system feeding the south and mid-campus areas with a new 25 kV service as well as replace numerous conduit switches and transformers. During the past year the campus has sustained numerous extended power outages which represent both a public safety issue as well as a threat to certain sensitive instrumentation and to research projects without a back-up electrical generation system.

2. Campus Fitness/Wellness Facilities: Planning/Renovation - \$4.7 Million

In response to a longstanding need expressed by UNR students, the University explored the feasibility for substantially expanding and enhancing campus student fitness/wellness facilities. As the result of extensive planning the University is now focused on the construction of a new fitness center and the renovation of the existing Lombardi Recreation Center. In October of 2013 the Board of Regents approved the construction of the E. L. Wiegand Fitness Center, a \$46.6M facility so named in response to the \$8M lead donor gift from the E. L. Wiegand Foundation. This slot tax request would provide planning and construction funds for the new fitness center and, to the extent possible, planning and construction funding for the renovation of Lombardi Recreation Center.

3. New and Existing Engineering Buildings: Planning and Renovation - \$15 Million

The next major academic building project planned for the campus involves the construction of a new engineering building as well as much needed renovation of the Palmer (constructed in 1941) and Scrugham (constructed in 1963) Engineering buildings. With dramatically increasing enrollment in our engineering programs these dated facilities have been an ongoing and increasingly problematic issue with the accreditation bodies. Moreover, the absence of a state-of-the-art engineering facility is a significant liability for the institution with regards to attracting and retaining quality faculty and researchers. The addition of a new engineering building is clearly aligned with the economic development priorities expressed by the Governor and endorsed by the Board of Regents of the Nevada System of Higher Education.

4. The University of Nevada School of Medicine: Las Vegas Medical Education - \$3 Million

The University of Nevada School of Medicine (UNSOM) continues to have a statewide mission and vision, even as the UNLV School of Medicine develops. In order to accommodate the programs contemplated by the recent announcement of a major GME affiliation with Mountain View Hospital, and UNSOM's need for continued clinical teaching capacity for a portion of its 3rd and 4th year medical student classes while the newly planned UNLV School of Medicine is built, UNSOM anticipates the launch of two capital projects in southern Nevada that would benefit from the \$3M allocation of slot tax bond funds:

1701 Charleston Building, Las Vegas, Nevada

UNSOM is in the process of finalizing a new lease-with-purchase option agreement with the owners of the 1701 Charleston Building, where UNSOM already leases considerable administrative office space and limited research and pharmacy space.

UNSOM is in the process of vacating the 2040 Charleston Building (across the street) at the request of the Clark County University Medical Center (UMC). UMC has a need to re-claim and occupy the 2040 building for administrative purposes. The current plan for the 1701 building calls for nearly all of its 88,000 sq. ft. to be occupied by UNSOM.

UNSOM anticipates that the 1701 Charleston building will serve as its long term academic home in Las Vegas, which is the basis for the proposed lease/purchase option. There is a need for significant renovation with a focus on building “smart” classrooms and conference rooms. While much of the furniture and equipment from the 2040 Building can be moved to the 1701 Building, major technology infrastructure and equipment will be required throughout the building, including major new medical education equipment. There is a particular need for UNSOM to upgrade the entire video connectivity infrastructure across the state.

Mountain View Hospital

On June 5, 2014, MountainView Hospital (MVH) and UNSOM announced a joint agreement to develop a major GME program that will equal or surpass that currently based at UMC. This proposed major expansion in southern Nevada of residency and fellowship training opportunities will have a significant impact on expanding the physician workforce, particularly in southern Nevada. A major part of this proposed partnership calls for a new medical education facility on the MVH campus, with a prominent location and co-branding and signage. This facility would like be built by MVH because of their access to private capital, but there would be substantial medical education and clinical equipment and furnishings required, similar to that described above for the 1701 building adjacent to the UMC campus. In particular, it is expected that a major clinical simulation teaching center would be built as part of this facility to enhance medical student and resident teaching. Developing such a teaching facility is capital intensive and would benefit from the slot tax funding.

UNLV Project

Thomas and Mack Center infrastructure improvements/ facility modernization: \$54,388,255

The Thomas and Mack Center (TMC) is 30 years old, and significant investments are needed in order for it to continue to support major economic activity for Las Vegas, allow UNLV to continue to bring in annual net revenues to the UNLV Athletics program, as well as support Rebel Athletics and third-party produced events. This request is specifically linked to the slot tax source, and not any other state revenues.

TMC Background and Economic Impacts:

The TMC is the result of a successful partnership involving UNLV, the State of Nevada, and the Las Vegas hospitality and resort industry to provide Nevada with a high-quality events facility for UNLV Athletics and third-party produced events that support UNLV and the hospitality and resort industry. The TMC has provided exceptional economic activity for Clark County, Las Vegas and the State of Nevada. Below is an excerpt from a 2012 economic impact report prepared by Dr. Mark Rosentraub of The University of Michigan's Center for Sport Management, a leading national expert on the value of public/private partnerships in venues like the TMC, who collaborating with Hobbs, Ong and Associates of Las Vegas, Nevada, in assessing economic impacts of the TMC.

“Since opening in 1983 the Thomas & Mack Center has welcomed more than 21.7 million attendees to various events. The Center is a valued community resource serving residents, the hospitality sector, and UNLV. It also produces substantial economic returns for UNLV that allows the university to support its Division 1 sports programs. The region's resorts also benefit from the hotel room nights generated, and important tax revenues for every level of government. The Thomas & Mack Center is the result of a successful partnership involving UNLV, the State of Nevada, and the Las Vegas hospitality industry.

No other university in the United States can point to a more successful partnership with its regional hospitality industry than UNLV. Out-of-town visitors attending events at the Thomas & Mack Center have spent more than \$200 million at Las Vegas' hotels, casinos, and retail outlets each year. At the same time, the events hosted at the facility provide a rich array of events that substantially enhance the quality of life in Southern Nevada. The tourists attending events at the Thomas and Mack Center annually generate approximately \$18 million in tax revenues for Nevada and Clark County governments and the LVCVA.”

The TMC also has a significant positive economic impact on UNLV directly. On average the TMC (in conjunction with net revenue from programs at the UNLV Sam Boyd Stadium and the UNLV Cox Pavilion, with TMC as the major revenue generating facility) generates \$7M-\$8M per year in net revenue support for the UNLV Athletics program. Without this net revenue support the UNLV Athletics program would not be able to survive financially.

Aside from these significant economic impacts and TMC's benefit to Nevada, it is also important that regardless of these benefits, the TMC is 30 years old and needs renovation and updates to meet current building codes to support UNLV activities that occur in the TMC.

Focus of Improvements:

The purpose of the Thomas and Mack Center infrastructure improvements and facility modernization is to maintain the overall asset, replace 30 year old building systems, and bring the facility up to current required building code. This improvement and modernization is necessary so that the facility may continue to effectively serve events patrons in a reasonable manner, especially major events such as the NFR, PBR, Rebel Basketball, etc. Most all of the major building systems are at the end of their useful life, and they must be addressed in order for this facility to be able to continue to support UNLV in this manner.

Infrastructure improvements planned include replacement/refurbishment, improvement and enhancements to efficiency in items such as mechanical, plumbing, lighting and electrical systems/service, data service/distribution, event services/support infrastructure items, elevator and accessibility upgrades, energy performance and sustainability improvements and improvements to life safety systems, such as sprinklers, smoke control and fire alarm systems, among other systems/items.

Facility modernization improvements/repairs planned include improvements such as seating replacements, concourse and other improvements to improve interior access, movement and safety, exterior building access improvements, replacement of finishes that are at the end of their useful life, signage upgrades, replacements of the audio-visual and events systems, refinishing or replacement of flooring systems/stages, operations and service improvements, upgrades to ADA/accessibility items/systems to meet current standards, among other items.

Priorities for TMC Improvements – Estimated Project Cost: \$59.2 Base Package

Improvements for deferred maintenance, safety and accessibility are required as many of these items are original to the building's initial construction. This base package includes replacement of 30 year old systems as well as the requirement to bring the facility up to current building code standards.

It is not financially feasible to make this facility into a fully current and contemporary events venue, with all the attributes you might find in a recently built venue like the Staples Center, the Toyota Center, etc. However, it is feasible to make base infrastructure improvements to the existing facility so it can continue to support events.

Planned Improvements are summarized below. The \$59.2M projected cost includes all construction costs as well as soft costs for design, fees, permit/inspection, etc. The key items that would be addressed with this base package renovation are noted below.

- Provide ADA (Americans with Disabilities Act) building and site improvements to meet current ADA requirements.
- Concourse restroom additions to meet current code requirements and demands

- Improvements to fire, life safety and smoke control systems to meet current code requirements.
- Provide additional access (i.e. escalators) to secondary Thomas and Mack Center entries to distribute building access, improve movement/circulation and relieve concourse of patron congestion.
- Improve concourse layout, movement and service to improve building access/circulation and relieve concourse of patron congestion.
- Update 15 year old concourse finishes and signage.
- Add direct access from events rooms to arena seating area to provide better access/customer experience and redistribute patrons to improve concourse function and access (including relief to existing code issues with bathrooms).
- Replace original 30 year old seating.
- Replace remainder of original 30 year old roofing.
- Replace, refurbish and/or upgrade 30 year old original mechanical, electrical, plumbing and low voltage systems.
- Replace existing arena sound system.
- Refurbish existing locker rooms.

Key Background Summary Information for a Thomas and Mack Center (TMC) potential remodel and modernization

Key TMC Statistics:

Completion Year: 1983

Project Cost: \$30m

Source of Funds: Debt financing through Slot Taxes

Floors: 2

Gross Square Feet: 267,450 gsf

Capacity: 18,500 – 19,500 seats depending on event

Major Remodels/Improvements to TMC:

Year: 1986

General scope of remodel/improvement: Build TMC Warehouse 1 & 2 to north – 12,000 gsf

Project Cost: \$1m

Source of Funds: Institutional funds/TMC

Year: 1992

General scope of remodel/improvement: TMC enlarge concourse, add restrooms and concession stands, new directional signs, acoustical treatment, upgrade interiors

Project Cost: \$7.5m

Source of Funds: \$3.6m state funds, \$3.9m institutional/TMC/other funds

Year: 1993-1994

General scope of remodel/improvement: Banquet Facility and Si Redd Room improvements

Project Cost: Unknown

Source of Funds: Institutional funds/TMC

Year: 1994

General scope of remodel/improvement: Build TMC Warehouse to west – 10,000 gsf

Project Cost: \$170,000

Source of Funds: Institutional funds/TMC

Year: 1999-2000

General scope for each remodel/improvement: TMC roof repair, upgraded restrooms, padded seats, upgraded concession stands, reconfiguration of main entrances, improve ADA access, improve outdoor mall area and lighting.

Project Cost: \$11.5m

Source of Funds: Approx. \$8.6m Debt financing through Slot Taxes, \$2.9m institutional/TMC/other funds

Year: 2006

General scope for each remodel/improvement: TMC central plant replacement – new heating and cooling plant, electrical service upgrades, 5,040 gsf.

Project Cost: \$7.9m

Source of Funds: Institutional funds/TMC

Year: 2011

Phase I roofing replacement/recoating – arena perimeter roofing near outer drain edge of dome, and recoating of some ancillary low roof areas, various limited safety and maintenance improvements (i.e. ladder access, firestopping, other items)

Project Cost: \$330k

Source of Funds: Institutional funds/TMC

Year: 2012

Install new house grid for event service and support

Project Cost: \$550k

Source of Funds: Institutional funds/TMC

Year: 2012

Consulting assessment of mechanical, electrical and fire alarm systems

Project Cost: \$88,000

Source of Funds: Institutional funds

Other Major Adjacent Investments:

Cox Pavilion

Completion Year: 2001

Project Cost: \$16.8m

Source of funds: no state funding – donor/sponsorship and institutional debt

Scope: 2,500 – 3,000 seats (depending on event) event and practice facility

Tropicana Parking Garage

Completion Year: 2009

Project Cost: \$14.5m

Source of Funds: no state funding – debt financing through parking program.

Scope: Added over 1,000 net parking spaces south of the TMC

Mendenhall Center – Men’s Basketball Practice and Recruitment Facility

Completion Year: 2012

Project Cost: \$12m

Source of Funding: no state funding – donor funded

Scope: Provide 38,500 sf basketball practice facility