

**SPECIAL MEETING  
VIDEOCONFERENCE  
BOARD OF REGENTS  
NEVADA SYSTEM OF HIGHER EDUCATION**

System Administration, Las Vegas  
5550 West Flamingo Road, Suite C-1  
System Administration, Reno  
2601 Enterprise Road  
Great Basin College, Elko  
1500 College Parkway, Greenhaw Technical Arts Room 118  
Friday, February 9, 2007

Members Present:           Dr. Jack Lund Schofield, Vice Chair  
                                  Mr. Mark Alden  
                                  Mr. Cedric Crear  
                                  Dr. Thalia M. Dondero  
                                  Mrs. Dorothy S. Gallagher  
                                  Mr. Ron Knecht  
                                  Mr. James Dean Leavitt  
                                  Mr. Howard Rosenberg  
                                  Mr. Steve Sisolak  
                                  Mr. Michael B. Wixom

Members Absent:           Dr. Stavros S. Anthony  
                                  Dr. Jason Geddes  
                                  Mr. Bret Whipple, Chair

Others Present:            Executive Vice Chancellor Daniel Klaich  
                                  Vice Chancellor, Academic & Student Affairs, Jane Nichols  
                                  Chief Counsel Bart Patterson  
                                  President Richard Carpenter, CCSN  
                                  President Paul Killpatrick, GBC  
                                  Chief Executive Officer of the Board Scott Wasserman

Also present were Mr. Jeff Foshee, Vice President, Administrative Operations-CCSN; Mrs. Patricia Charlton Dayar Vice President, Finance & Budget-CCSN; Mr. Alok Pandey, Faculty Senate Chair-CCSN; Mr. Bob Gilbert, Director, Site Planning & Construction-CCSN; Mrs. Carla Henson, Chief Human Resources Officer-System Administratio.

Vice Chair Jack Lund Schofield called the meeting to order at 9:02 a.m. on Friday, February 9, 2007 with all members present except Regents Anthony, Geddes and Whipple.

Regent Crear led the pledge of allegiance.

1. Approved-Allocation of Estate Tax Funds, CCSN – The Board approved President Richard Carpenter’s request for the allocation to CCSN of additional estate tax funds to be used to address a \$5 million shortfall in the cost of the CCSN Classroom Building approved by the Legislature in the previous session. The Legislature increased the scope of this building to \$25 million. However, the Board and state appropriations total only

1. Approved-Allocation of Estate Tax Funds, CCSN – (Cont'd.)  
\$20 million, thus leaving a \$5 million shortfall. The Interim Finance Committee (IFC) previously approved the authority to allocate any additional estate tax collections to this project (Ref. A on file in the Board office).

Executive Vice Chancellor Klaich explained that this building, originally designed as a \$30 million structure, was recommended by the Board for approximately \$10 million with a portion (\$5 million) recommended for funding through estate tax collections. When assembling the last biennial budget, there was \$29 million in estate tax dollars available for one-time appropriations. System staff recommended to the Board that the entire \$29 million be allocated to a number of projects including the DRI CAVE facility, the NSC Academic/Student Services building, this CCSN classroom building and a small amount to the CCSN Automotive Technology building.

Executive Vice Chancellor Klaich stated that at the close of the last legislative session, the allocation was increased from \$10 million to \$25 million, placing it closer to the originally designed structure. Unfortunately, the estate tax funds appeared to have been counted twice. This resulted in approval of \$15 million in state funds, the original \$5 million from the estate tax fund and an additional \$5 million in "other" funds. The State Public Works Board (SPWB) requires that the institution deposit the full amount of the allocation prior to commencing construction. President Carpenter determined that due to the general-purpose nature of the facility, the necessary funds would be difficult to raise and would likely prove so lengthy a process that the entire project would be jeopardized. The need for this facility at the Charleston campus is so significant that President Carpenter would rather decrease the project by \$5 million than wait for a larger building at some unknown time. Executive Vice Chancellor Klaich emphasized that at no time during the planning process did President Carpenter ever represent, either to the Board or to the Legislature, that the institution would be providing matching funds.

Executive Vice Chancellor Klaich stated that the System met with the IFC to determine whether agreement could be reached on a reduction in the size of the building. The System was told that a change in scope of the building was not possible due to the specific language of the appropriation bill.

Regent Alden recommended that the System determine why the funds were applied twice and take the necessary steps to prevent future occurrences.

Executive Vice Chancellor Klaich related that when the System addressed the IFC to request a change in scope, staff had also requested relief for the institution in the event that CCSN could save money through "value engineering" (e.g., if CCSN could bring the project in at less than the full \$25 million without reducing the scope of the project) that the savings be allowed to offset the loan that CCSN would have to seek. In addition, authority was requested to allocate any additional estate tax funds collected to the project. Approval for both requests was received at the November 2005 IFC meeting. In December of 2005, the Board provided staff with the authority to begin the negotiation process for a \$5 million loan. At that time, the Board was advised of the outcome of the IFC meeting and that the System had requested and received approval to apply project construction savings and estate tax funds to reduce any loan that CCSN would incur.

1. Approved-Allocation of Estate Tax Funds, CCSN – (Cont'd.)

Executive Vice Chancellor Klaich had periodic discussions with Patricia Charlton Dayar, Vice President of Finance and Budget-CCSN regarding the status of the estate tax fund. Approximately two weeks ago, Ms. Charlton Dayar notified him there is approximately \$5 million in the estate tax fund that would obviate the need for CCSN to seek a loan.

On behalf of Chancellor Rogers and President Carpenter, Executive Vice Chancellor Klaich requested the Board's approval of the additional allocation of approximately \$5 million from the estate tax collection to fund the CCSN Classroom Building project at the West Charleston campus. He further requested that in the event the project is constructed for less than \$25 million, the savings revert back to the System for reallocation to other capital projects.

Regent Crear asked whether allocating these funds to CCSN would adversely impact other NSHE projects. Executive Vice Chancellor Klaich replied that the projects already identified to receive estate tax funds would not be affected. In response to Regent Crear's question, President Carpenter indicated there was approximately \$5.1 million in additional estate tax funds.

Regent Wixom clarified that since a change in scope is not possible without jeopardizing the entire project, the System needs to seek financing in the amount of \$5 million or allocate the estate tax funds. President Carpenter added that CCSN has received a brief extension of the bid, which expired last week. If forced to re-bid, it is estimated that the project would increase by at least \$1.5 million due to escalating costs of construction.

Vice Chair Schofield asked if construction would proceed immediately upon Board approval. Mr. Bob Gilbert, Director of Site Planning and Construction-CCSN, replied that Vice Chancellor Mike Reed is working with Mr. Gus Nunez at the SPWB, and if the allocation is approved, the contract will be signed that day.

Regent Crear asked if a general contractor has already been chosen for this project. Mr. Gilbert replied that a Construction Manager at Risk (CMAR) agreement was employed, which binds a contractor to the project's architect. Regent Crear asked if there were stipulations in the contract documents requiring a certain percentage of minority contractors. Mr. Gilbert replied that such provisions are standard within the SBPW contracts and he will provide a copy of the document to the Regents.

Regent Wixom stated that he strongly supports the reallocation of estate tax funds for this purpose, noting that it would save the System financing costs and additional construction costs, which will only escalate further with time. He noted that the need for the building had already been established.

Regent Wixom moved approval of the allocation of an additional \$5 million in estate tax funds to CCSN. Regent Dondero seconded.

Regent Leavitt left the meeting.

1. Approved-Allocation of Estate Tax Funds, CCSN – (Cont'd.)

Regent Sisolak asked why the matter was not brought to the Board's attention at the January meeting. Mr. Gilbert replied that the SPWB process resulted in the untimely notification to the Board. He stated that this is the first time that the SPWB has required the full amount to be in place prior to releasing a project. Mr. Gilbert added that currently the project is approximately \$244 per square foot; however, if required to re-bid, the project cost would increase to approximately \$350 per square foot.

Regent Leavitt entered the meeting.

Regent Alden requested that the System set a policy, or seek a change to the NRS, to allow more flexibility in these types of situations.

Regent Rosenberg stated that an error was made and he expressed concern with now being required to use the additional estate tax funds in this manner.

Regent Dondero asked when the project is scheduled for completion. Mr. Gilbert replied that April 2008 is the projected completion date.

Regent Crear asked if the System is obligated to spend or allocate the estate tax funds within a certain timeframe. Executive Vice Chancellor Klaich replied that the funds are held until the Board determines their allocation. Regent Crear asked if the other presidents have objected to the allocation of these funds in this manner, specifically President Maryanski or President Wells. Executive Vice Chancellor Klaich replied that he has not heard any objections, adding that President Wells' project is being handled differently. The Board has approved an additional appropriation for the DRI building, which the Governor has also recommended for approval.

Upon a roll call vote the motion carried. Regents Knecht, Leavitt, Rosenberg, Schofield, Sisolak, Wixom, Alden, Crear, Dondero and Gallagher voted yes. Regents Whipple, Anthony and Geddes were absent.

2. Information Only-Public Comment – None.

3. Information Only-New Business – Regent Alden strongly urged the Board to establish a policy that allows more flexibility to avoid these situations in the future.

Regent Wixom requested a full explanation for the cause of the oversight.

The meeting adjourned at 9:37 a.m.

Scott G. Wasserman  
Chief Executive Officer of the Board of Regents