

SPECIAL MEETING

**VIDEOCONFERENCE
BOARD OF REGENTS
UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA**
Sites: Conference Room, System Administration
2601 Enterprise Road, Reno
5550 W. Flamingo, Suite C-1, Las Vegas
Berg Hall Conference Room, Great Basin College, Elko
Reynolds Bldg., Rm. 102, Western Nevada Comm. College, Carson City
Friday, March 18, 2005

Members Present: Dr. Stavros S. Anthony, Chair *{Las Vegas}*

Mr. Mark Alden *{Las Vegas}*

Dr. Jill Derby *{Reno}*

Mrs. Thalia M. Dondero *{Las Vegas}*

Mrs. Dorothy S. Gallagher *{Reno}*

Mr. Douglas Roman Hill *{Reno}*

Mrs. Linda C. Howard *{Las Vegas}*

Mr. James Dean Leavitt *{Las Vegas}*

Mr. Howard Rosenberg *{Las Vegas}*

Dr. Jack Lund Schofield *{Las Vegas}*

Mr. Douglas R. Seastrand *{Las Vegas}*

Mr. Steve Sisolak *{Las Vegas}*

Mr. Bret Whipple *{via telephone}*

Others Present: Interim Chancellor Jim Rogers

Assistant Chancellor Trudy Larson

Vice Chancellor, Finance & Administration Buster Neel

Interim Vice Chancellor, Academic & Student Affairs Chris Chairsell

Interim Vice Chancellor, Technology, Becky Seibert

Vice Chancellor, Legal Affairs Dan Klaich

Assistant Chief Counsel Brooke Nielsen

President Richard Carpenter, CCSN

President Stephen Wells, DRI

President Paul Killpatrick, GBC

President Fred Maryanski, NSC

President Philip Ringle, TMCC

President Carol Harter, UNLV

President John Lilley, UNR

Chief Administrative Officer Suzanne Ernst

Also present were Ms. Patty Charlton, Vice President, Finance & Administration-CCSN; Ms. Delores Sanford, Vice President Finance & Administration-TMCC; Mr. Gerry Bomotti, Vice President, Finance-UNLV; Dr. Juanita Fain, Vice President, Administration-UNLV; Mr. Ron Zurek, Vice President Administration & Finance-UNR; Dr. John McDonald, Dean, School of Medicine; Dr. Ian Buxton, Pharmacology-UNR; Mr. Bob Dickens, Government Relations-

UNR; Mr. Dan Miles, Special Consultant-System Administration; Mr. Larry Eardley, Asst. Vice Chancellor-System Administration; Mr. Erin Lankowsky, Student Body President-UNR; Mr. Jeff Champagne, Student Body President-Elect-UNR; Ms. Lauralie Ezra, Legislative Lobbying Chair-UNR; Mr. Gustavo Nunez, State Public

Works Board; Mr. Scott Nash, Johnson Consulting; and Ms. Kendra Follett, PricewaterhouseCoopers.

Board Chair Stavros Anthony called the meeting to order at 3:10 p.m. on Friday, March 18, 2005, with all members present.

1. Approved-Minutes – The Board approved the minutes from the NSC Presidential Search Committee meeting held December 8, 2004, the Special Board meeting held January 7, 2005, and the Technology Task Force meeting held January 7, 2005.

Regent Alden moved approval of the minutes from the NSC Presidential Search Committee meeting held December 8, 2004, the Special Board meeting held January 7, 2005, and the Technology Task Force meeting held January 7, 2005. Regent Dondero seconded. Motion carried.

2. Approved-Bond Resolution #05-01, Refunding of 1998 State General Obligation Bonds – The Board approved Ms. Kathleen Payne, Director of Banking and Investments, request for a bond resolution to refund the 1998 State General Obligation bonds (*Ref. A on file in the Board office*).

Regent Alden said that he had read the briefing paper and observed they were simply reducing interest costs.

Regent Alden moved approval of Resolution #05-01 authorizing the refunding of the 1998 State General Obligation bonds. Regent Rosenberg seconded.

Regent Sisolak asked whether it would take two years to recoup the issuance cost. Ms. Kathleen Payne, Director of Banking & Investments-System Administration, replied that the issuance costs are paid from the proceeds. The new bond will cover the issuance costs as well as pay off the old bond. Regent Sisolak observed they had previously paid issuance costs in 1988. Ms. Payne agreed, explaining there would be issuance costs for the new bond. On the day of closing, after all expenses have been paid, UCCSN will save \$2.1 million (*after issuance costs*). Regent Sisolak said it would take approximately two years to recoup the issuance costs. Ms. Payne disagreed, explaining they would actually pay \$4,000 more in the first year and begin saving money in the second and subsequent years. Regent Sisolak asked how it would only cost \$4,000 if the issuance was \$445,000 and the System was saving \$254,000. Mr. Scott Nash, Johnson Consulting Group, replied that the illustrated savings were considered on a net basis, adding that the gross savings were higher. The total savings take into account the payment of the issuance costs. Regent Sisolak observed there would be an immediate out-of-pocket of \$4,000. Mr. Nash agreed, explaining that even with the increased costs to get in they

2. Approved-Bond Resolution #05-01, Refunding of 1998 State General Obligation Bonds –
(*Cont'd.*)

would save money over the duration because rates have dropped. Regent Sisolak said it would take approximately two years to recoup the savings. Mr. Nash replied that the numbers presented take into account that the costs were built into the bond.

Interim Chancellor Rogers stated that the question was really simple. Regent Sisolak said it was alright to say that it would take two years to recoup. Mr. Nash replied they were not losing money up front. Interim Chancellor Rogers replied that it would take some period of time to recoup those costs. Overall, the System will save a certain amount of money. Originally it was \$3 million in savings. Currently, it is \$2.1 million in savings. Mr. Nash agreed, adding that there are costs from which there will be a period of time to recoup. He said it was not like they were losing money upfront. Regent Sisolak asked about a redemption charge. Mr. Nash replied there was none. Regent Sisolak asked about the spread required to make it viable to refinance. Mr. Nash replied that these bonds were issued in 1998 and were not callable until 2008. This transaction is considered an advanced refunding. Multiple factors are considered. Because there are limited opportunities to refinance, it is System policy and his recommendation not to refinance for less than a 3% savings on a present value basis. Regent Sisolak asked what had occurred to decrease the savings from \$3 million to \$2.1 million. Mr. Nash replied there had been an upturn in the bond prices. He explained that interest rates had increased, noting that these are sensitive transactions involving large dollar amounts.

Regent Alden asked how long it would take to recover and whether it would be two years. Mr. Nash replied it would take several years. Regent Alden observed that a downturn had prevented the savings of \$900,000. He felt there must be a better way to save this money and suggested the Board should consider passing the authority to the chancellor to call the Board Chair on time sensitive matters. He felt the matter should be rectified.

Regent Dondero asked whether UCCSN would need to return the savings to the state. Ms. Payne replied that since this was a state bond the savings would revert to the System (*UNLV-60%; UNR-40%*). The money saved on the bond is sent to System Administration by the state. UNR and UNLV must use the money for operating and maintenance on the buildings for which that money was originally borrowed.

Regent Howard was concerned about the timing and that \$900,000 had been lost. She requested an explanation. Ms. Payne explained that it was strictly a matter of the changing interest rates since the last projection was prepared. This bond refinances \$40 million. A slight change in the interest rate can have a huge impact on the interest savings because of the amount of principal.

Interim Chancellor Rogers observed that the rise in interest rates was not a shock to anyone, adding that it had been predicted for some time. This involves arriving at a balance between what the Board wants to know is going on and the ability of someone in the administrative section to act upon this. Had this come up and gone through the System, they would likely have locked it in at a lower rate. He observed that rates would

2. Approved-Bond Resolution #05-01, Refunding of 1998 State General Obligation Bonds – (*Cont'd.*)

likely continue to increase. Regent Howard asked whether System Administration was in charge of this. Interim Chancellor Rogers replied they were not.

Regent Sisolak observed that the prime began increasing six-eight months ago and asked why they waited until March 2005 to refinance. He asked what would have been saved if they had refinanced in October. Mr. Nash replied that they looked at this from time to time. It had not reached a savings threshold that made it worthwhile. The yield curb has been very steep in the last year. With this transaction, money is borrowed at low, long-term rates and invested for a three-year period. Because of investing at such low rates, it eradicates the savings. It was only around the October/November timeframe that this began to appear to be feasible. It was presented to the Board on the December 2004 agenda. System Administration cannot refinance the bond by itself. It also has to go before the State Board of Finance. It was approved on their March agenda. Because of the increase in rates on the short end of the yield curve, it made it worthwhile.

Regent Sisolak observed that the Board has a Budget & Finance Committee. He said they all wanted to save as much money as possible for the state. He noted that this was a big thing.

Ms. Payne stated that these bonds are state issued. As an added step, System Administration must work with the State Treasurer's office and the Interim Finance Committee, which makes the process longer.

Regent Seastrand asked when it was known that they wanted to do this and how long it took to complete the process. Mr. Nash replied that they began discussing it in October 2004. The Board reviewed it on the December 2004 agenda. The state had other issues to address simultaneously. There was a waiting period while the state prepared their transactions. March 7, 2005 was their first meeting to address this. They plan to sell the bonds on March 29th. Regent Seastrand asked how often the state meets. Mr. Nash replied that they meet as required. The meetings are called by the State Treasurer's office.

Regent Seastrand recommended the chancellor look into this to see what can be done to save money in the future. Interim Chancellor Rogers agreed to do so. Mr. Buster Neel, Vice Chancellor, Finance & Administration-System Administration, stated that they would look at the state-issued bonds as well as other revenue bonds. Regent Seastrand acknowledged there may be separate tracks, but he wanted to expedite the System's process as well as the state's. Interim Chancellor Rogers observed that time is the biggest enemy. They may have saved more if they had started earlier.

Regent Alden stated that the chancellor has it handled. He observed that the Board makes policy and finance decisions. Sometimes those decisions should be made by others in the interest of saving money. Interim Chancellor Rogers stated that he would review the matter. Regent Alden suggested allowing someone else to make those decisions in the future.

2. Approved-Bond Resolution #05-01, Refunding of 1998 State General Obligation Bonds –
(Cont'd.)

Regent Rosenberg stated that they had lost \$900,000 and wondered about the outcome if the results had gone the other way. He observed that sometimes it might be better to allow it to go through the normal process. Interim Chancellor Rogers stated that everyone in the economy knew which way the interest rates were going to go.

Chair Anthony stated that the chancellor had been asked to research this and to streamline it if possible.

Regents Sisolak observed they would not sell the bonds for another eleven days. He asked at what point it would be determined not to sell. Mr. Nash replied that the policy was that generally the amount of net savings needs to be at least 3% of the par amount of the transaction. Regent Sisolak observed that 3% of \$40 million was \$1.2 million. If rates increased again in the next eleven days, the bonds might not be sold. Mr. Nash agreed, adding that in such a case they would wait. At that point they would be in a position to move quickly since all of the procedural steps had been addressed.

Motion carried.

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – The Board approved providing the chancellor with additional discretion in negotiating items with the Legislature/Governor as well as the reordered unfunded priorities as presented.

Interim Chancellor Jim Rogers led a discussion updating the progress in the legislative session to date. The update included a report on the progress to date on the System budget. The Governor's recommendation left many items within the System budget unfunded in whole or in part. The report requested approval from the Board of additions to or deletions from its budget or revision of the priorities stated in its budget, including but not limited to the capital improvement list or items of enhancement approved by the Board. The update included a report on legislation which may impact the Board as well as a request to grant the chancellor additional discretion in negotiating items with the Legislature or the Governor.

Interim Chancellor Rogers recalled that when he and the presidents originally determined the Capital Improvement Priority (CIP) list, they included what was believed to be the funds available at that time (*\$100-\$120 million*). When it was presented to the Board, he requested that the Board provide the chancellor some authority to negotiate some differences if the money started to show up in a little different way, though still consistent with the Board priorities. He observed that the presidents had set the priorities. When he began interacting with the Legislature and discovered there may be a surplus, the UCCSN legislative team became bolder with their requests. Interim Chancellor Rogers returned to the presidents and re-reviewed the CIP list priorities as well as the operating budget. Initially UCCSN was somewhat quiet about requesting that the funding formula increase above 84%. Currently, UCCSN is asking the Legislature to increase the funding formula from 84% to 87% (*approximately \$37.65 million*). A request for funding the new computer

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont'd.)

system was then added. It was thought that UCCSN would receive approximately \$100 million for the CIP list from sources including the general fund and most of the Estate Tax (*approximately \$29 million*). \$9 million of the anticipated \$29 million in Estate Tax funds has been designated to NSC's liberal arts building, while an additional \$5 million will be used for CCSN's West Charleston classroom building, with a match from the Governor. The remaining \$15 million in Estate Tax funds have not been allocated to any specific project. Interim

Chancellor Rogers stated that they were reluctant to do so, adding that he wanted to keep their options opened. He was unsure what the final legislative appropriation to the UCCSN would be in addition to the \$96-\$98 million. He was hopeful it would be substantial.

Vice Chancellor Klaich addressed the CIP list, noting the unfunded priorities that had not been recommended for funding by the Governor. He explained there were three changes to this list from what the Board reviewed at their January special meeting.

- · Priority #2 CCSN West Charleston Classroom Building - The CCSN West Charleston Classroom Building was originally ranked lower in priority (*\$30-32 million for a classroom*) . As a result of previous Board changes, the West Charleston Classroom Building was moved up in priority, with half of the expense funded by the Governor for a \$10 million building. The remainder of the building(*\$20 million*) dropped from the list.
- · Priority #5 UNLV Greenspun Building Expansion – It became apparent in the planning of this building that the original building plans (*\$37.2 million*) would not accomplish all of the goals and projects that were encompassed within the planning of the building. Interim Chancellor Rogers and President Harter spoke with the Greenspun family to discuss their desire to have the building fulfill its full potential. After negotiations, \$20 million was added to the construction cost of the building. Approximately 51% (*\$10.2 million*) will be donated by the Greenspun family with \$9.8 million coming from the state. This priority was not included on the list presented at the January 2005 meeting.
- · Priorities #8 & #9 UNR Science and Math Education and CCSN Pahrump Education Complex – The priority listing is currently reversed from that presented at the January 2005 meeting. The recommendation is due primarily to what is perceived as the ability and realities of funding these two projects in the Legislature. They believe they have a better shot with the UNR Science ad Math Education project.

Vice Chancellor Klaich stated that the legislative team would fight for the Board’s priorities on a daily basis. He suggested that the Board extend greater discretion to the chancellor in negotiating these capital projects with the Governor and the Legislature, with great deference to Board priorities. He asked the Board not to handcuff the chancellor to follow the priorities exactly.

Interim Chancellor Rogers noted that the Greenspun building had been reduced from \$40 million to \$37.23 million. He explained that the difference was due to the fact that the

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont’d.)

Greenspun family had already begun to pay for the planning. He related that each of the capital improvement projects had been discussed with all of the presidents. He said they had tried to explain the realities to the presidents. He related that the presidents had approved the CIP list in its entirety.

Regent Hill asked what kind of a motion the chancellor desired. He asked whether he was seeking discretion to wheel and deal in the Legislature on these priorities. Interim Chancellor Rogers replied that he would like to have some authority to wheel and deal based upon this list, which currently totals \$190.91 million. If all of the money were provided, the priorities would be irrelevant. He said they would push to get it resolved prior to the end of the session. He said that he and Vice Chancellor Klaich would like to be able to respond to the Legislature without hesitation.

Regent Hill moved that the Board give the latitude to the chancellor to “wheel and deal” in the Legislature, with great deference to the Board priorities. Regent Schofield seconded.

Regent Dondero asked whether Interim Chancellor Rogers had spoken to the donors of the Greenspun building. Interim Chancellor Rogers replied that he spoke with them ahead of time. President Harter stated that a deal was originally struck for a 40%/60% split on the costs of the building. This time they requested more because they knew this was coming in late. Interim Chancellor Rogers explained that President Harter had requested more funding and Mr. Greenspun agreed to pay over half of the cost.

Regent Alden noted the Board was approving the capital improvement projects for the 2005-2007 biennium. He clarified that the motion would provide latitude to the chancellor and to the staff in Carson City if it became

necessary to adjust the schedule in the best interests of the System. Regent Hill agreed that Interim Chancellor Rogers and Vice Chancellor Klaich would have some discretion when working with the Legislature, with great deference to the Board's priorities. Chair Anthony said the motion would approve the document with the changes recommended by Vice Chancellor Klaich. This would then become the Board of Regents' recommendation for capital improvements. However, the chancellor would have the discretion to make any changes when meeting with the Legislature. Regent Schofield agreed.

Regent Sisolak asked whether the money for FF&E was required at this point. Interim Chancellor Rogers replied that this was money for prior projects. Vice Chancellor Neel replied that FF&E for SET was UNLV's Science & Engineering Technology facility and the Knowledge Center was UNR's facility, which are still being constructed. Because of the rising costs in construction, the Board of Regents, State Public Works Board, and Interim Finance Committee have been informed that the FF&E figures were increased to cover the increased construction costs. He explained that \$9 million of the \$15.82 million requested for FF&E for UNLV's Science & Engineering Technology facility would actually be used for construction. Interim Chancellor Rogers clarified that the IFC

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont'd.)

made that change when both UNR and UNLV reported that the construction costs had risen substantially. It was decided to use a portion of the current FF&E funds for this purpose and to replace it in the next biennium. Regent Sisolak observed that the remaining \$7 million (UNLV) and \$5 million (UNR) would not be sufficient. He asked whether they would request more money in two years. Vice Chancellor Neel replied that they would. In order to make the Knowledge Center project viable, they had to move money from FF&E to get the building going. The project has been cutback substantially. In the next biennium, UNLV and UNR will request additional FF&E or the institutions will need to locate funds internally. Regent Sisolak asked why they were putting any money in FF&E and whether it could be locked in now and not used for another project. Vice Chancellor Neel agreed that was the reason. Regent Sisolak observed that they would not use that money for another two years. Vice Chancellor Neel replied that portions would be utilized as they got into the project. Regent Sisolak observed that it wasn't really FF&E money. Vice Chancellor Neel replied that it was for FF&E as well as construction.

Regent Seastrand clarified that it was money for FF&E as approved by the Governor, but it would also be used for construction. Interim Chancellor Rogers agreed. Vice Chancellor Neel clarified that, initially, the amounts requested were significantly less and were intended strictly for FF&E. Regent Sisolak asked why they didn't move the amount down to the cost of the building. Regent Seastrand replied that the Governor had already approved that money. Interim Chancellor Rogers said they did not want to give that money up. Regent Sisolak said he did not like the manner in which this was being done.

Regent Sisolak said he had a problem with the two CCSN buildings. He asked what kind of a classroom building could be built for \$10 million. Interim Chancellor Rogers replied that they had a set of plans. President Carpenter explained that it was originally a \$30 million facility, based on the need at the time. He explained that a general purpose classroom building was easier to build in stages than the Automotive Technology building would be. Originally the Automotive Technology building was designed to be built in four phases. That is not practical. A general purpose classroom building is easier because wings can be added or deleted. He said the project was viable, though it would not address the current need. He said it would move the college towards addressing that need.

Regent Schofield left the meeting.

Regent Sisolak observed that both of those buildings had been reduced in size. He felt that was not fair. Vice Chancellor Klaich replied that one building had been cut to one-third, but the Board doubled the size of the Automotive Technology building at the January 2005 meeting (*from \$5 million to \$10 million*). He said it resulted in an overall net loss of \$15 million for CCSN.

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont'd.)

Regent Sisolak said he could not understand how one institution and those two buildings, upon which they have all received inquiries, would be so far behind the curve. He said he objected to that. He asked why it was not included on the wish list. Interim Chancellor Rogers clarified that it was not a wish list. Regent Sisolak said that he had a real problem if the UCCSN could receive \$200 million and still not fund those two buildings. He said it did not seem fair to the students.

Regent Howard asked how much was being spent from the Estate Tax fund. Interim Chancellor Rogers replied \$29 million. Regent Howard asked where the money was going. Interim Chancellor Rogers replied that \$9 million would go to NSC and \$5 million would be used to match the Governor's \$5 million for a \$10 million classroom building at CCSN. The Governor strongly suggested that UCCSN use \$5 million in Estate Tax funds for the \$10 million classroom building. It was decided not to assign the remaining \$15 million to any specific project. Regent Howard observed that it appeared the remaining \$15 million had been assigned to the Pahrump campus. Interim Chancellor Rogers replied that it was not. Regent Howard asked where the \$15 million was going. Interim Chancellor Rogers replied that they wanted to maintain as much flexibility with the \$15 million as possible. Regent Howard asked from where the \$1.5 million for the CCSN Pahrump Education Complex would come. Interim Chancellor Rogers replied that the Nye County Board of Commissioners had voted to give that money to UCCSN if the state would fund the remaining \$5 million. Regent Howard asked why UCCSN was requesting \$5 million for Pahrump's campus with the high need at CCSN. She said it did not appear to be balanced, adding that Pahrump did not have the need and growth that Las Vegas does. Interim Chancellor Rogers replied that, based upon all of the conversations that he has had, he believed this is where they would end up. If it were his choice, he might do something different. He stated that it was not his choice, adding that he was working with the Governor and a very strong legislature. This is the feeling based upon many conversations with a lot of people.

Regent Schofield entered the meeting.

Mr. Ron Zurek, Vice President, Administration & Finance-UNR, responded to Regent Sisolak's questions about the FF&E for UNR's Knowledge Center. He clarified that FF&E was furniture, fixtures, and equipment. He clarified there were no furniture or fixture requirements, but there were equipment needs. The building must be constructed around an automated retrieval and storage system. That is the only reason that UNR is requesting any FF&E at this time. The rest will be deferred to the next biennium.

Regent Derby asked whether the chancellor had discussed the latitude with the presidents and that they were fully supportive of the motion. Interim Chancellor Rogers replied that was his understanding. He said they did not intend to go before the Governor and Legislature and tear the list up. They are mindful of the requirements and priorities. There may be a few changes made to the amounts for each of the projects. He was unsure how it would all turn out. He said they would stay as close to the list as they possibly can. If they thought they were substantively changing the list, they would return to the

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont'd.)

Board for guidance. Regent Derby said that she understood, adding that she was referring to the process. She favored allowing the latitude, adding that she trusted that he would follow the priorities to the degree that he was able. She wanted to ensure that he had entertained the conversation with the presidents in advance of this meeting. Interim Chancellor Rogers replied that they had been informed.

Regent Seastrand stated that they would buy equipment for the Knowledge Center in this biennium even though there was no other funding in the current budget to build the actual building. Vice Chancellor Neel stated that the money had already been approved and appropriated. He clarified that this was money in addition to that already appropriated for the facility.

Regent Seastrand asked whether the money was approved in a previous biennium. Vice Chancellor Neel replied that it was. Vice Chancellor Klaich clarified that it occurred two biennia ago. Regent Seastrand asked whether

there was a place to locate the building. Vice Chancellor Klaich replied that the Knowledge Center was an extraordinarily ambitious project that was approved by the Board. The project funding was set forth in three tiers. One tier of funding was approved by the State of Nevada, which was contingent upon the students picking up a tier of funding through increased fees. The third tier of funding is comprised of private giving of approximately \$22 million. The Legislature required the money to be raised within five years. The students agreed to the increased fees. UNR's Foundation has been proceeding with raising the \$22 million. When all of that is complete, construction of the facility will proceed.

Chair Anthony established that Regent Whipple was no longer on the telephone.

Regent Alden stated that the Board of Regents is a policy-making board responsible for the budget, operating, and capital. The Board sends that to the Legislature. In between those steps, there is all this micromanagement by the Board. He noted that changes occur (*i.e., interest rates, construction costs*). It is like the Board becomes a moving target and does not deserve it. Ultimately, this world and this government are not perfect. He said they were coping with incredible System needs. The System population has tripled in twelve years. He said the same questions have been asked for twelve years and many years before that. He said it was not easy and that was why they had to put it in someone else's hands or else they would be meeting every other day. The capital request process is always painful and cumbersome. He encouraged the Board to move on.

Regent Leavitt noted that the Board and chancellor wanted every project on the list to be funded. It is extremely difficult to list and prioritize them. It was his understanding that all of the presidents had cooperated substantially to arrive at agreement. He said he supported giving the chancellor the power to change the list as needed to move the business forward, and not to add and delete from the list. He supported providing the chancellor with that power. He felt the presidents should be congratulated for their cooperation.

3. Approved-Additional Discretion for Chancellor in Negotiating Items with the Legislature/Governor and Unfunded Priorities-Legislative Update – (Cont'd.)

Regent Rosenberg said they had a fundamental policy issue that required addressing. UNLV built a fine arts building. Originally, it was a certain size. The money was put forth and then it was determined there was not enough money. They could either stop the building or reduce the size of the building. They elected to downsize the building. As a result, they now have studios approximately the size of telephone booths. They do not do the job. He felt the Board should tell the chancellor that these are the priorities. He acknowledged that they did want to wheel and deal within reason. UNR desperately needs its Knowledge Center. Compromises have already occurred that will prevent the building from providing what is ultimately required. He asked whether it was worth building something that would not do the job. He did not feel that it was. He felt it was more important to convey to the Legislature what the actual needs are. He felt the Board should make the decision if one project must be compromised for another, even if it entailed extra meetings.

Regent Schofield stated that he served in the Legislature for 8 years. It was said that no one was safe as long as the Legislature was in session because it is so uncertain what will happen from day to day. He observed that the Board could depend upon this chancellor and could support his judgment. If his judgment is questioned in any manner, the Board can always meet. He felt the Board should provide him with the necessary latitude to achieve the System's needs.

Regent Derby observed that what the Board was proposing was not that radical. It was her understanding that the chancellor had that authority and the Board was simply clarifying that.

Regent Gallagher felt it was important for everyone to understand that the priority list would not come out in the same way it was presented. She observed that one institution's priority could change from one place to another at the whim of the Legislature. She did not want anyone to be disappointed if the priority list was not followed in the absolute order presented.

Vice Chancellor Klaich clarified that there really isn't any wheeling and dealing. He assured the Board that Chancellor Rogers is not trying to reorder the priorities and that he was fighting to get each of the projects

funded in their order of priority. As an example, during the last budget hearing Assemblywoman Giunchigliani indicated her desire to see safety projects given a higher priority. He did not know whether or not that would occur. That is an example of the kind of decision with which the chancellor could be faced in the waning days of the Legislature. He assured the Board that the chancellor was ardently defending the list and was facing significant criticism because of his unwillingness to forfeit priorities and his desire to have all of the projects funded. He agreed with Regent Gallagher that the list would likely change.

Motion carried. Regent Whipple was absent.

3.1 Approved-Budget/CIP Reconsideration – The Board approved the UCCSN state supported operating budget unfunded priorities for 2005-07 as presented. The Board discussed and revised the 2005-2007 Biennial Budget and Capital Improvement Priority List approved by the Board of Regents at its June 2004, August 2004, and January 2005 meetings (*Ref. B on file in the Board office*).

Vice Chancellor Klaich discussed the list of unfunded priorities. This list has substantial input from the presidents and was created by the presidents. It includes a list of items that were extremely high Board priorities that were not recommended for funding by the Governor. The chancellor will bring these additional needs to the Legislature in addition to the capital improvement projects. The System has significant technology needs, as well as needs in the nursing and health care-related fields. The legislative team is trying to encourage the Legislature to increase the formula for funding higher education to a higher percentage than the Governor recommended. He said this list would be tougher to sell than the capital improvement list. The Legislature is not inclined to fund ongoing operating projects that will bind future legislatures. He related that they would be arguing for funding for the items on the list, which the chancellor and the presidents believe in passionately. He said there was nothing on the list that could not be well defended. He offered to answer any questions.

Interim Chancellor Rogers reported that the request for increasing the formula funding to 87% (\$37.65 million) was included on this list. He noted that the second item on the list comprised the technology requirements, adding that UCCSN could not survive with its existing computer system.

Regent Leavitt left the meeting.

Interim Chancellor Rogers stated that they had devoted a great deal of time to addressing the need for the computer system. He said that these were two high priorities for which they would continue to seek funding. He said they hoped to receive a substantial portion of the request to be used as a down payment on a system that could run as high as \$70-\$100 million.

Regent Howard asked about the NSC degree audit system. President Maryanski replied that it was a software system that would allow staff and students to track where they stand with respect to completion of their degree. Regent Howard asked whether all of the campuses require such a system. Assistant Chancellor Larson reported that she had specifically asked Interim President Miltenberger what were the most and least important needs for the CIP list. She reported that Interim President Miltenberger had put this at the bottom of the list, while including the increased formula funding at the top. She indicated that NSC could do without the system because they were still small, but it would be an issue in the future. Assistant Chancellor Larson stated that some of the other campuses have such a system. Regent Howard said that NSC was getting quite a bit of money from the capital improvement projects. She did not consider the auditing system a necessity. Interim Chancellor Rogers asked Regent Howard not to cut his legs out

3.1 Approved-Budget/CIP Reconsideration – (*Cont'd.*)

from under him by implying that the Board does not feel that it is important. Regent Howard did not feel it should be included.

Assistant Chancellor Larson clarified the process for creating the list. All of the items were included on the budget enhancement list, with the exception of five items that were on the main budget and removed by the Governor's staff. These items were included on the list in addition to the enhancements and discussed it with the

presidents. This is the priority order that was determined. Regent Howard said that she had not noticed it previously or she would have addressed it then.

Regent Alden stated that all of the items on the list were either on the original budget request and were omitted by the Governor or had been on the original enhancement list. The Board has voted on all of these items. He affirmed the grave technology requirements. He noted that Board members have a difficult time understanding why it takes so long for staff to provide information. He said the computer system was antiquated and that the technology enhancements were important.

Regent Hill said he did not intend to denigrate any of the priorities on the enhancement list, adding that he realized that each request was a necessity. He observed that the School of Pharmacy was low on the list and that the chances of it being funded were slim. He noted that the program would provide the two universities the opportunity to work together on a common program.

Interim Chancellor Rogers stated that one of the reasons that the pharmacy school was ranked as low as it is was that he had tried to make it clear to the dean that such necessary projects would seem an even higher priority if there were private funding. He has strongly suggested to the dean that he will gladly accompany him to the pharmaceutical houses to encourage donations.

Regent Leavitt entered the meeting.

Interim Chancellor Rogers said that he was reluctant to push such a project until interest was expressed with a private donation. He said he was as responsible as anyone for ranking it at that level.

Regent Rosenberg observed that they have a dental school and medical school and that they train teachers and nurses because the people of the state need the expertise, particularly in pharmacy. The medical school is trying to assemble medical teams, which would include a pharmacologist, a pharmacist, or a clinical pharmacist who actually knows how different medicines interact with one another. He felt this was one of the most important things the Board could do for the state. He observed they would not have much to offer the state if they only offered programs that were funded with private money. He thought they should establish that the school was necessary and that they need the Legislature's assistance.

3.1 Approved-Budget/CIP Reconsideration – (Cont'd.)

Interim Chancellor Rogers observed that the program was still on the list. If all of the money is allocated, it will be covered. There is a finite amount of money. He felt that if there was such a high demand for pharmacists there should be some pharmacists in the community who are willing to contribute as partners to develop such projects. He has moved the project down in the order of priority until he sees some support from the business sector. Regent Rosenberg found that difficult because the pharmacy school was approved two biennia ago and he expected it to be supported by the chancellor.

Mr. Erin Lankowsky, Student Body President-UNR, and Ms. Lauralie Ezra, Legislative Lobbying Chair-UNR, asked the Board to consider moving UNR's Science and Math Education Center up in priority on the capital improvement list. Currently, it is listed as the eighth priority. He said they would like to see the project funded in this biennium.

Ms. Ezra stated that the project was important to the students, faculty, teachers, nurses, incoming Millennium Scholars, and Nevada's workforce. Mr. Lankowsky reported that UCCSN was in need of additional space for education due to the tremendous growth. He said that classrooms were getting fuller and that students were crammed into the system. The state's growth and the Millennium Scholarship have increased enrollments at all System institutions, creating a real demand for space. In 1972, when the last general science lab was built at UNR, there were 7,263 students. In 2005, UNR's enrollment is twice as large and the buildings are not keeping pace. Mr. Lankowsky cited the State Public Works Board's comments regarding the need for this project. Enrollment growth, especially in the sciences and engineering, has put a strain on the foundation courses in the areas of biology, chemistry, mathematics, and physics. He stressed the need for providing for the students by

building this structure. He again asked the Board to move the project up in priority to ensure that students are being taught at a higher level.

Ms. Ezra related that the current space was inadequate, which prevented Nevada's students from gaining an enhanced level of learning. Because of the outdated labs that exist, some high schools in the area are better equipped than the current chemistry building on the UNR campus. The storage facilities for the chemicals are placed in overstocked rooms without sprinklers. To simply add a sprinkler system would cost more than \$40,000. Flammable chemicals are placed on wooden shelves, causing an unavoidable hazard without sprinklers. Approximately twice per year, classes must be evacuated for carbon monoxide problems. Aging science facilities do not provide an adequate environment for instruction and there is a concern for the safety and security of students. Laboratories are marginally compliant. She related that the new facility would relieve space constraints in the basic sciences that presently limit enrollments in these subjects. She said the students felt that this facility would be one step in the

3.1 Approved-Budget/CIP Reconsideration – (Cont'd.)

direction of developing UNR and UNLV as first-class research universities, as intended by Interim Chancellor Rogers.

Mr. Lankowsky related that this project has been listed, in some form or another, on the Regents' list for thirteen years. Pre-planning funds have been provided three times. Thirteen years ago, there were 11, 890 students on the UNR campus. This year, there are 15,469 students. The student population is growing and UNR's ability to serve the students is not. The project has been identified as a critical need on the campus.

Ms. Ezra related that the current facilities were constructed over twenty years ago, before many of the current federal, state, and local regulations for laboratory safety and waste disposal were enacted.

Chair Anthony said that Interim Chancellor Rogers and Vice Chancellor Klaich would take their remarks into consideration.

Regent Howard observed that UNR was already receiving half of the state funds in the budget (*\$33.5 million out of \$67 million*). She was concerned what would happen to other projects if this building was moved up in priority. Chair Anthony related that the Board had already approved this list, adding that the chancellor would take this into consideration.

Regent Sisolak asked whether there was any further legislative update. Interim Chancellor Rogers replied that it had been addressed. Regent Sisolak observed there was a bill that Regent Howard had passed around. Regent Howard suggested they discuss it under New Business. Regent Sisolak asked whether there was any further update. Vice Chancellor Klaich said he had intended to mention something under New Business because the agenda had not included items other than the budget.

Regent Seastrand moved approval of the UCCSN state supported operating budget unfunded priorities for 2005-07 as presented. Regent Alden seconded.

Vice Chancellor Klaich requested that the motion include the same clarification that the chancellor be given similar latitude and discretion in negotiating these priorities.

Regents Seastrand and Alden agreed to the clarification. Motion carried. Regent Whipple was absent.

4. Public Comment – None.

5. New Business – Regent Leavitt noted that AJR 11 passed earlier this week. He asked whether Board members would employ a unified strategy, including testimony before the Assembly, or if they had suggestions for preparing a response in some organized fashion.

Vice Chancellor Klaich replied that he sent each Regent a listing of each of the votes by the members of the Senate on this bill from the previous session. Last time, this bill passed the Senate with an 11-10 vote. Since then, there are three new members in the Senate. If everyone voted the same way as they did in the previous session, this would put the margin of passage back in play. He felt they should consider the three new members of the Senate. He indicated that Regent Howard had already spoken with Senator Lee. He felt they should focus on how this bill will go in the Senate. He did not foresee a substantial probability that the bill would be defeated in the Assembly. He felt they should focus on the Senate, and particularly on the newer members.

Ms. Ernst noted there were four new members in the Senate.

Regent Howard stated that she provided a memo regarding AJR 11, which discussed the resolution to reduce the Board of Regents from thirteen members to nine, and to decrease the term from six years to four. Her memo indicated there were no “No” votes and that three members had been absent. She wanted Board members to know what is going on with these bills. She felt it was critical for Board members to follow what is going on and to speak with legislators to inform them that the Board does care about their elected positions. She felt a large responsibility and an obligation to her constituents to ensure that her seat remains elected so the people can have a voice. She felt strongly that if the Regents were appointed that the people she represents would not have a voice. She also felt the Board should do something. She suggested that Board members show unity on this effort and let the legislators know that the Board wants to remain an elected body. She related that her conversation with Senator Lee had been very positive, though he had not provided any commitment for how he would vote.

Interim Chancellor Rogers related that when this issue first arose he told Vice Chancellor Klaich that he has strong feelings about this Board not being appointed or having its size reduced. Vice Chancellor Klaich had the chancellor’s remarks entered into the legislative record. He assured Board members that he would vocally support the present elected Board and its present size. He felt that changing the Board structure at this juncture would be disastrous. He told the Board he would be very active in supporting their position.

Regent Schofield stated that he would always oppose taking away the rights of the people. He felt that making the Board an appointed one violated Nevada citizens’ rights. He agreed with Regent Howard that the people in his district would not be adequately represented by an appointed Board. He felt it was wrong for elected officials to attempt to take away the people’s rights. He said he would vigorously oppose the measure. He was hopeful that Board members would speak out with a unified voice.

Vice Chancellor Klaich reported that the chancellor’s comments had been entered into the record of the Assembly hearing in addition to Regents Derby’s and Whipple’s remarks.

5. New Business – (Cont’d.)

The System office also prepared a tabulation of the representation of all fifty boards of higher education in the U.S., showing board terms and other aspects indicative of they are constituted, which was also entered into the record. He felt the Board’s position had been made extremely clear. He related that it had not been a very receptive audience in the Assembly and that they would have greater opportunity to speak to a more receptive audience in the Senate.

Regent Sisolak observed that some of the previous “No” votes were now “Yes”. Vice Chancellor Klaich said they should not take any vote for granted.

Regent Howard expressed her appreciation for the letter written to the *Review Journal* by Regent Dondero. She felt it was a very good and strong letter. She felt that all Regents should have a copy of the letter.

Chair Anthony related that it appeared that the work to be done was in the Senate. He said he was confident that Interim Chancellor Rogers, Vice Chancellor Klaich, and the System lobbyists would work hard on this particular bill. He asked Regents to contact various senators and discuss the matter personally.

Vice Chancellor Klaich stated that he would continue to provide weekly updates. He expected the pace to quicken in the following week as the bills will begin to be released from the LCB. He and Chief Administrative

Officer Ernst have discussed the inclusion of an agenda item for the April Board meeting that will address the policy issues before the Board. In April, they plan to address all of the policy issues that the Legislature will consider in the next twenty-eight days (*i.e., Open Meeting Law, bills imposing additional reporting requirements on the Board, etc.*).

Regent Leavitt felt that he had not done enough to influence this outcome. He was disturbed that there was not a single vote in support of keeping an elected Board. He said he would begin his efforts that day and hoped that other Regents would join him. He said they would not function as an existing board if this legislation was passed. He said he was willing to testify in front of the Assembly and that he would call everyone on the list. He urged others to do the same, adding that the Board had been far too passive.

The meeting adjourned at 4:58 p.m.

Suzanne Ernst
Chief Administrative Officer to the Board