

MINUTES OF A MEETING



August 14 - 15, 2008

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**MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
Thursday and Friday, August 14-15, 2008**

A meeting of the Arizona Board of Regents was held August 14 and 15, 2008, in the High Country Conference Center, at Northern Arizona University, Flagstaff, Arizona.

President Boice called the meeting to order at 9:33 a.m.

Present: Regent Fred Boice
 Regent Robert Bulla
 Regent Ernest Calderón
 Regent Dennis DeConcini
 Regent Fred DuVal
 Regent LuAnn Leonard
 Regent Anne Mariucci
 Regent Bob McLendon
 Regent David Martinez
 Regent Ross Meyer

Absent: Superintendent Tom Horne
 Governor Janet Napolitano

Also present were President John Haeger, Dr. Elizabeth Grobsmith, Mr. Mark Neumayr, Dr. M. J. McMahon, Ms. Kathe Shinham, Ms. Christy Farley and Ms. Sandy Castro, Northern Arizona University; President Robert Shelton, Ms. Charlene Ledet, Dr. Jacqueline Mok, Dr. Gene Sander, Mr. Mike Proctor, Ms. Carla Nunn, Mr. Dave Harris, Mr. Bruce Wright, Dr. Leslie Tolbert, Dr. Meredith Hay and Mr. Dave Harris, University of Arizona; President Michael Crow, Dr. Christine Wilkinson, Mr. Rich Stanley, Dr. Elizabeth Capaldi and Mr. Paul Ward, Arizona State University; Executive Director Joel Sideman, Secretary to the Board Peggy Martin, Board Counsel Nancy Tribbensee, Ms. Kathy Bedard, Mr. Dan Anderson, Mr. Art Ashton, Ms. Christine Thompson, Dr. Mark Denke, Mr. Lorenzo Martinez, Dr. Sandra Woodley, Ms. Emily Palumbo, Mr. Rick Gfeller, Ms. Stella Galaviz, Ms. Cathy McGonigle, and Ms. Stephanie Jacobson, Central Office; Darcy Renfro and Mariko Silver, Governor's office; and Dr. J. D. Mutchler, Arizona Faculties Council.

All lists, reports, summaries background materials and other documents referred to in these minutes can be found in the August 14-15, 2008 Documents Files.

Regent Boice welcomed everyone to the meeting.

Regent Martinez led the Pledge of Allegiance.

CONSENT AGENDA

All items on the Consent Agenda that are marked in these minutes with an asterisk (*) were consent matters and were unanimously adopted upon the motion of Regent Bulla, seconded by Regent Calderón.

***Minutes**

The April 24-25, 2008 Executive Session Meeting Minutes, the June 19-20, 2008 Regular Meeting minutes and the July 24, 2008 Special Meeting Minutes were approved.

RESOURCES COMMITTEE CONSENT AGENDA

***Authorization to Approve New Awards (ASU) (Agenda Item #6)**

The Board approved Arizona State University's request for authorization to approve various new and continuation awards.

ACADEMIC AFFAIRS COMMITTEE CONSENT AGENDA

***Proposed Revisions to ABOR Policy 5-308, "Student Code of Conduct," and ABOR Policy 5-401 through 5-404, "Student Disciplinary Procedures" (Second Reading) (Agenda Item #9)**

The Board approved on second reading the proposed revisions to ABOR Policies 5-308 and 5-401 through 5-404. The revision will update certain definitions to reflect Arizona law and descriptions of prohibited conduct.

CAPITAL COMMITTEE CONSENT AGENDA

***Approval to Enter into a Capital Lease Agreement with a Third Party to Finance Photovoltaic Array Project using Clean Renewable Energy Bonds (UA) (Agenda Item #22)**

The Board approved the University of Arizona's request to enter into a capital lease agreement with G.E. Government Finance, Inc., or another third party financing company to use Clean Renewal Energy Bonds (CREBs) financing to install electric producing solar panel units at six College of Agriculture and Life Science locations throughout the state.

CALL TO THE AUDIENCE

Per Board Policy 1-114, time has been set aside for Call to the Audience, an opportunity for people to express their views or concerns to the Board.

There were no requests to speak.

Regent Boice stated that the next order of business would be Agenda Item #2.

PUBLIC AWARENESS COMMITTEE (Chair: Regent DuVal)

Update on Solutions Through Higher Education (Agenda Item #2)

Regent DuVal presented an update on Solutions Through Higher Education.

He stated that this was the first time the Board had an opportunity to acknowledge the approval of the Stimulus Plan for Economic and Education Development (SPEED). He stated that he felt certain that the involvement of the Coalition for Solutions Through Higher Education was instrumental in positioning the capital issues for consideration and in the adoption of this important legislation. Support from the Co-chairs and other Coalition members through the online petition, personal contacts, and the sheer size of the advocacy group helped influence state policymakers' decisions. He also thanked President Boice, the Regents, the Governor and the Governor's office and the top-notch government affairs staff for all of their hard work.

Regent DuVal further stated that he, President Boice and central office staff had a very productive meeting with Riester and the tri-university team on strategies that will carry the Solutions campaign to the next level. The Board should take the success we have had and charge ahead. We hope to have 4000 Coalition members by the end of December.

Regent DuVal then stated that on Thursday, September 11, university presidents, members of the Coalition, policymakers and the university community will come together for a special Coalition meeting with Roy Romer, chairman of the national "Ed in '08" campaign. He stated that Roy Romer was former Governor of Colorado and former Superintendent of the Los Angeles School District. The focus of the Ed in '08 campaign is very closely tied to what the Regents have been doing with Solutions.

The Ed in '08 campaign's concern is to improve education before more American students lose out on the best jobs, hurting our economy and impacting each and every one of us. The Coalition is pleased that Roy Romer agreed to bring his cross-country tour to Arizona. He further stated that by participating in the September 11, Chairman Romer is helping to communicate the Solutions message in a new way. The Coalition will also be showing the documentary, "Two Million Minutes." The title of the film comes from the fact that, regardless of nationality, a student completing 8th grade has just two million minutes to prepare for college and ultimately a career. The documentary chronicles the lives of students from China, India, and the United States as they complete their higher education and shows how the American students are falling behind.

LEGISLATIVE AFFAIRS COMMITTEE (Co-chairs: Regent DuVal and Regent McLendon)

Legislative Wrap-up (Agenda Item #7)

Regent McLendon presented a report on the outcomes of the 2008 legislative session. He stated that shortly after the June Board meeting the legislature passed a budget and adjourned the session. The session lasted 166 days and of the 1542 bills, memorials and

resolutions that were introduced, 344 successfully completed the legislative process. The Board is very appreciative of the Governor's and the Legislature's support of higher education. In particular, the Board is thankful for the \$1 billion SPEED construction package passed this session which addresses many of the significant capital needs of the university system.

Regent McLendon further stated that at the federal level, Congress recently passed legislation to reauthorize the Higher Education Act. The Act includes provisions that increase the authorized maximum Pell grant; incorporates new requirements for transparency in college costs, including a college price watch list and disclosures of textbook costs, and other measures to simplify the Free Application for Federal Student Aid (FAFSA).

Christine Thompson reported that the university system did well this legislative session. The SPEED package passed and there were relatively few bills passed that impacted the university system. Christine also thanked the Governor and the Legislature for their support of the university system.

The Board's participation in WICHE was extended to 2018 by the legislature. Also passed was the creation of a taskforce regarding the retraining of disabled veterans to be housed under ABOR. The college textbook legislation, spearheaded by ASU, passed.

Christine stated that the universities are analyzing the full impact of the Higher Education Act. There are provisions to encourage colleges to rein in price increases and provide consumers with more information. There are provisions to simplify the student aid process. Further, this legislation increases the maximum Pell Grant over a period of years from \$5800 to \$8000. The Secretary of Education is charged with working with the Department of Homeland Security to develop model emergency response plans.

Regent DuVal stated that the Community College Board bill did not pass. He further stated that it is anticipated that the Governor will issue an Executive Order to create an interim governance arrangement. Regent DuVal stated that the Board also took a stand against guns on campus and succeeded.

Regent DuVal then stated the Board needed look to next year in three ways. First the funding formula bills were postponed this year, but will be back next year. The Board needs to control its fate regarding funding formulas and should get ahead of this issue. Second, the energy bill got far more attention than anyone anticipated and given the rate at which the energy debate is moving nationally, this bill will be back and the Board needs to make sure that it is a part of any dialogue. Third, the community college bill will come back and it is incumbent upon the regents to reach out and work through the governance issues.

Regent Boice asked about the FY10 budget. Christine Thompson stated that it did not look like it was going to be a pleasant situation. There is talk of a rescission this year.

Regent Boice then stated that the next order of business would be the Study Session.

Productivity Initiative (Agenda Item #1)

Regent Boice stated that the Board would review and discuss establishment of a major system-wide Productivity Initiative. Presentations will be made on national efforts underway and the effort that will take place in Arizona's university system.

Regent Boice stated that times are tough. Universities are looking for ways to operate more efficiently. The university system has taken a \$50 million reduction in the FY09 operating budget. He stated this was a lot of money to take from a system that is growing every day. Regent Boice complimented the presidents for the manner in which they handled the cuts.

The system must increase its productivity while maintaining the quality of the programs. Productivity is one of the four goals in the system-wide strategic plan. The system, as a whole, is nationally competitive on measures of productivity. But, the system must do more. Budgetary constraints will continue. The Board and the universities must wisely reallocate and reinvest any savings that accrue. It is critical to demonstrate that we are good stewards, especially since the system will need continued and increased investments in the future.

Regent Boice then welcomed Travis Reindl, who was present by videoconference. Travis is the program director at Jobs for the Future and leads Making Opportunity Affordable, a national initiative focused on improving productivity in higher education which is funded by the Lumina Foundation for Education. He previously was on the staff of the American Association of State Colleges and Universities where he served as director of state policy analysis and project director for Making Place Matter, an initiative of the W.K. Kellogg Foundation which bolstered regional stewardship efforts at state colleges and universities.

Travis provided the Regents with an overview of productivity at a national level. He stated that one of the efforts by Lumina Foundation working with various states is to tackle the question of how do universities produce more graduates within the resources that are available. How do states increase throughputs so there are enough graduates to meet the workforce needs. Arizona is in the running for a grant from the Lumina Foundation to deal with this matter. Goals need to be developed, then the states would need to determine what policy changes will be necessary to meet the goals.

Another effort is being overseen by the National Association of Systemheads. They have 20 participating public university systems. Their focus zeros in on the participation and achievement gaps that are seen in various economic and racial groups in the United States. All of the participating universities have committed to cutting in half the gap in participation and achievement rates for those groups. A key component of this initiative focuses on cost looking at how universities harness the resources that they have.

A third effort will be coming from the Bill and Melinda Gates Foundation. The focus that is evolving will be on doubling the number of 16-26 year olds that have some post-secondary credential.

On the national level the question is becoming "how do we get more?" How do we get more graduates because the economy demands it and the health of our communities demand it.

Regent McLendon asked Travis to give a brief overview of discussions that took place in Congress relative to reauthorization of the Higher Education Act and productivity and cost containment in higher education. Travis stated that in his opinion, as far as the critical issues of how to increase education attainment, there was a lack of vision. Travis stated that he felt the results of this Act were quite disappointing on the big issues. The Act focused on price, not cost. They did not focus on how the resources were being utilized and how that related to producing a more educated population.

Regent DeConcini asked when there is this massive need for more baccalaureate degrees and community colleges offer associates degrees, is that an area that is being looked at as a possible source to bring more students into the university system. Travis stated that it is an area of great interest. If you look nationally, the relationship between two- and four-year education in the public sector has been an area where there has been activity in the recent years. You can look to Florida which has developed a very streamlined relationship to move students from the two-year experience on to a baccalaureate degree. Northern Arizona University has been working on various innovative ideas to smooth the path for students to move through this process. But, to date, it has been more the exception than the rule. Travis stated that he felt that Florida and Virginia were states that had models that could be looked at. Also, the National Center for Public Policy in Higher Education has done a lot of work on this issue.

Regent Leonard asked if Travis could name a few university systems that are doing the most in the way of productivity, and what they are doing. Travis stated that there were at least two that he believed are doing a very good job; one is Maryland and the other is Ohio. Maryland initiated an effort called "Efficiency and Effectiveness." It is now in the second of three phases and is focused on how the Maryland system could look both within the academic program and administrative operations to make strategic changes in how the system does business that would provide efficiency gains and allow the provision of more access and more success. Ohio is focused on setting targets for increasing the efficiency of the public universities, how to find and make savings and how to harness those savings to accomplish the strategic planning objectives.

Regent DuVal stated that there are two opportunities and one risk with this initiative. The opportunities are that we might find ways to stretch our dollars further and the second is in the process, we might convince the public that we are even more vigilant fiduciaries with public dollars and can therefore be trusted with more dollars. The risk is that some might see this as an opportunity to do more budget cutting and erode the universities' investment. Regent DuVal asked Travis if there were ways we could use this initiative to give us the tools to reinvest and earn the confidence to leverage our success as opposed to providing a pathway to evisceration of the system. Travis stated that one of the critical lessons is to really be very clear about the "for what" - what is the purpose of engaging in this process. What is helpful in Arizona is that the Governor has been very clear about the goal of increasing the number of Arizonans with baccalaureate degrees. The Board is going to do its part to not just demonstrate fiduciary stewardship, but to contribute to this very legitimate and right goal that the governor has framed as a vision for the state. The Board is going to be a contributor to that process. It is important that the Board get the legislature to agree to a

good faith gesture that guarantees the universities will not be punished for their efforts, but rather rewarded by retaining the savings they create.

Regent Martinez asked, as we launch this productivity initiative, how does the Board maintain quality. Travis stated that this is going to be a difficult ask. It gets down to how you define quality. The Regents need to have a very clear, understandable and measurable definition of what quality is. You have to be able to say, in our book while there is never any perfect silver bullet, you have to have at least some fixed point on the horizon and we are not compromising. The Board needs to come up with a sensible definition of quality. Regent Martinez stated that he felt that the Board needed to be very mindful of people on the ground. He then asked how students can engage in productivity efforts. Travis stated that you can't have a productivity initiative without considering student input. One of the most powerful components is what kind of incentives can we put in front of and work with students on that focus on the end objective. You could find and reach out to students that have some college, but no credentials and design a program that would help them get more credits and end with a degree. The other thing you could do is start looking at is putting a financial incentive in front of the institution and the student for accelerated completion.

Regent Boice asked what the obligation of higher education is to K-12 in the sense that in Arizona the retention rate from the freshman year of college to the sophomore year of college is not that good, graduation rates are not that good. Travis stated that is important for states not to fall into the trap of putting the premise on the table that we can improve productivity when we have addressed the limitations coming from K-12. He stated that among other things he believed feedback needs to be provided to the K-12 sector from the university on the rates at which the graduates from the high schools are in a remedial situation at the universities. He believes that patterns need to be determined and dealt with by both the universities and the K-12 community.

Regent Boice asked if there was any move nationally to change funding models using the numbers of graduates versus the numbers enrolled. Travis stated that four states were working on adjusting their funding to include a completion component as well as the number of students enrolled.

Cathy McGonigle briefly described the efficiency review process. The Governor's office created an efficiency review program for state agencies in 2003. It was focused on improving customer service and implementing operating efficiencies. An important focus of the program is the reinvesting of the savings back into various programs. The Governor recently asked the universities to implement a similar process. The presidents are going to report on some of their efforts so far.

Regent Calderón asked how the Board was going to measure the productivity savings and communicate with the public as to what the actual savings are. Cathy McGonigle stated that the Board is working on a plan to show what you have saved, what costs you have avoided. There are also indicators in the strategic plan.

The presidents each gave a brief report on one of their productivity and efficiency projects and the implementation of the FY 09 budget cuts. President Haeger spoke about reducing the cost of a degree by reducing the years to graduation. President Shelton spoke about

improving academic productivity through program redesign, learner-centered innovation, and instructional accountability. President Crow spoke about producing university level graduates and acquiring new resources, redirecting resources and new investments.

Regent DeConcini asked President Crow where the university gets new resources and is there a limit on philanthropic efforts. How do you get more productive without the resources, if you are unable to obtain them? President Crow responded that he believed the resources were out there. He stated that he believed when things turn around in the economy, the state investments will continue. In respect to tuition, it is a matter of making the case so that people understand that tuition is an investment and there is a return. He stated that he believed there were resources in the community and if the university makes its case appropriately, there will be additional resources available to the university.

President Shelton stated that it was important for the universities to balance the various sources of revenue. He further stated that philanthropic efforts have increased every year and he hopes it will continue to do so.

Regent Mariucci asked what is the really big picture, the potential paradigm shift, the industry is facing here, what is the most draconian extreme paradigm shift that you can see occurring out on the horizon as this country attempts to reach some level of equilibrium in terms of distribution of resources for higher education on a national level and when, if ever, do we as a system start to think along some of those lines?

President Haeger stated that he believes the system will have to be redesigned in certain ways in the long term. There are more and more students entering the system that come from poor families who cannot afford to go away to school and unless the Board can find ways to deliver high quality education to the students, where they are, there is going to be a problem. One of the propositions that needs to be sold to local communities is that if they want, for example, health care workers in their community, the community will need to help pay for the program.

President Crow stated that as the population grows, the burden of the stresses of providing the highest level, highest quality education is going to fall on the public institutions. The issue then will be that we compete against privates for faculty, and graduate students. The success strategy will be the allowance for differentiation between institutions and the allowance for innovation within the universities themselves. The Board needs to find a way to allow the universities to be innovative and creative.

President Shelton stated that there are some powerful private universities that have large endowments. The irony of that is they educate only a small fraction of what this country needs. They also do not seem to be speaking out on critical issues, but seem to be focused inward on how to build their endowments further. The Board has a large responsibility, our university system is one of the systems that will educate a large mass of people and we need to be ready. Also, it has become apparent that endowments are more important than ever and the universities need to build their endowments so they can continue to compete.

Regent Calderón stated that Superintendent Horne asked that his comments be shared. Superintendent Horne believes that we need to become very aggressive relative to the cost

of textbooks. He also raised that at ASU and UA faculty are spending four hours a day teaching and at NAU six hours a day teaching because the universities subsidize research. Regents need to be sincere in what is expected from the faculty in regards to productivity.

Regent Calderón stated that no one can argue that greater productivity isn't better. But, productivity discussions can be shaded with statistics. He stated that he would like to see something that is simple and measurable. The end results need to be something that the average person can see and understand.

Regent Bulla asked if there might be a consultant in the productivity area that might be appropriate for us to utilize.

Regent DuVal stated that increased productivity is the way the Board is going to be able to sustain the universities in these very difficult economic times. Even if we are successful, the rate of growth of the state is going to tax our resources.

We need to be more productive. It is first about seeking savings. This isn't just about doing more with less, it is about doing more with more. It is about establishing relationships and partnerships that reinforce our fiduciary responsibility.

In order to do this the concept needs to be part of our management DNA from the Regents down. The Regents need a partnership with the legislature that rewards success, and does not punishes us for success. The Regents also need to look at this initiative in relationship to K-12 and the community colleges. To the extent that we have successes at any of the institutions, the successes need to be shared so that each university can utilize what one university has learned.

Regent Boice stated that as to the next step, he would like the chairmen of each committee, look at the programs under the committee's jurisdiction and see if there is anything you can do to make it more productive. He asked the presidents to work with the committee chairs and the ABOR staff to determine what projects should be pursued. He asked Dr. Mutchler to work with the Academic Affairs Committee to discuss faculty engagement in this effort. And he asked the student regents to work with students to determine how student issues can be addressed and students engaged. And finally, he asked Regent Duval, as Chair of Public Awareness, to see that the appropriate messages are developed and the appropriate outreach is conducted.

RECESS

The meeting recessed at 11:50 a.m. and reconvened at 2:22 p.m.

Regent Boice welcomed Darcy Renfro and Mariko Silver to the meeting. Darcy will be leaving her position in the Governor's office to be the Executive Director of the STEM Center. Mariko will be replacing Darcy as Policy Advisor for Higher Education, Innovation and Economic Development. Regent Boice, on behalf of all the Regents, thanked Darcy for all of her assistance and wished her well in her new position. He introduced Mariko and stated that she had worked in the office of the President of Arizona State University, as Director of

Strategic Projects and a Senior Research Fellow. She was involved in a variety of projects, including the creation and implementation of AERO (Arizona Economic Resource Organization), and the design of Science Foundation Arizona. Prior to her work at ASU, Ms. Silver was a Technology Policy Specialist at Columbia University and the Manager of Business Development for Quest Media.

RESOURCES COMMITTEE (Chair: Regent Calderón)

FY 2008 Technology and Research Initiative Fund (TRIF) Annual Report (Agenda Item #3)

Regent Calderón stated that the Board was being asked to approve the Technology and Research Initiative Fund (TRIF/Proposition 301) Annual Report for the fiscal year ended June 30, 2008, including the revised budget for FY 2009. The approved report will be submitted to the Governor and Legislature by September 1, 2008, as required by A.R.S. §15-1648(D).

Laura Huenneke, Rick Shangraw, Bruce Rittman, Leslie Tolbert, Caroline Garcia, and Kathy Bedard joined the meeting for this presentation.

Dr. Huenneke gave a presentation on one of Northern Arizona University's TRIF projects, the Wind Energy Group, which works on harnessing wind for energy.

Dr. Shangraw introduced Dr. Rittman who gave a presentation on one of Arizona State University's TRIF projects, the Biodesign Institute, which, among other things, is trying to find replacements for fossil fuels.

Dr. Tolbert gave a presentation on one of the University of Arizona's TRIF projects, Optical Sciences and Technology, which, among other things develop new photonics, sensor, and imaging technologies to power the future of nearly every field of science and technology.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously approved the FY 2008 Technology and Research Initiative Fund Annual Report, including the revised TRIF budgets for FY 2009, for submission to the Governor and the Legislature, as presented in the Executive Summary.

TRIF Strategic Investments (TSI) Business Plans (Agenda Item #4)

Rick Shangraw, Laura Huenneke, Leslie Tolbert and Kathy Bedard joined the meeting for this presentation.

Regent Calderón stated that the Board was being asked to approve business plans for the TRIF Strategic Investments (TSI) projects approved by the Board in December 2007. Four TSI projects were approved: Solar Energy, Arizona State University and the University of Arizona joint project; Promoting Forest Health in Arizona and Statewide Expansion at NAU-Yuma Campus, Northern Arizona University projects; and Higher Education in Rural Southern Arizona, a University of Arizona project.

Dr. Huenneke presented highlights of Northern Arizona University's Business Plans for TRIF Strategic Investments. She spoke about the NAU-Yuma Expansion and promoting Forest Health.

Dr. Shangraw, introduced Dr. Steve Goodnik, who presented highlights of Arizona State University's Business Plans for TRIF Strategic Investments. Dr. Goodnik spoke about the Solar Energy Initiative which is a joint effort between Arizona State University and the University of Arizona.

Dr. Tolbert presented highlights of the University of Arizona's Business Plans for TRIF Strategic Investments. She spoke about the University of Arizona's part of the Solar Energy Initiative.

Regent Mariucci stated that she would like the universities to demonstrate their connectivity to the private sector and show that the universities understand how the science and academia are related to the capital formation, and market acceptance and that the universities are actively developing relational alliances that will allow the universities to have the right ground floor opportunities.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved the TRIF Strategic Investments Business Plans as presented in the Executive Summary.

Proposal to Extend the KAMP Radio Student Fee (UA) (Agenda Item #5)

Regent Calderón stated that the Board was being asked to approve the extension of the \$1.00/semester refundable fee to support the student radio station (KAMP) over the last five years, as approved by a student-initiated and run referendum. The Tuition Task Force reviewed this item at its June 20, 2008 meeting, and recommends Board approval.

Upon motion by Regent Calderón, seconded by Regent Martinez, the Board unanimously approved the extension of the \$1.00 per semester refundable student radio station, KAMP, fee for five additional years from July 2008 through May 2013, as presented in the executive summary.

TECHNOLOGY OVERSIGHT COMMITTEE (Chair: Regent DeConcini)

Authorization for Issuance of System Revenue Bonds (SRBs) to Finance a Portion of the Enterprise Systems Replacement (Mosaic) Project Budget (UA) (Agenda Item #8)

Regent DeConcini reported that the Technology Oversight Committee met on August 13th and covered the selection of Moran Technology Consulting to perform an independent project audit of the University of Arizona's Enterprise Systems Replacement (MOSAIC) Project. He further reported that in June 2008, the Board approved the University of Arizona proceeding with a major administrative IT systems replacement project with the provision that the Technology Oversight Committee subsequently approve the component system implementation plans. The Committee approved three of those implementation plans:

Oracle/People Soft Human Resources; Kuali Financial Services; and the Kuali Research Administration system.

Regent DeConcini stated that the University of Arizona was asking the Board to authorize the finance of \$33 million of the total \$89 million Enterprise Systems Replacement (MOSAIC) Project budget through the sale of System Revenue Bonds with anticipated funding debt service from local funds.

Upon motion by Regent DeConcini, seconded by Regent Bulla, the Board unanimously approved the University of Arizona's request to sell one or more series of System Revenue Bonds to produce sufficient proceeds to finance an amount not exceeding \$33 million for a portion of the MOSAIC Project and to pay the costs of the issuance of the System Revenue Bonds and payments under related interest rate lock agreements, if any, to take related actions, to enter into necessary agreements, and to executive documents, contingent upon JCCR favorable review of the MOSAIC Project.

HUMAN RESOURCES COMMITTEE (Chair: Regent Bulla)

Approval of Amendment to Multiple-Year Employment Contract for Men's Basketball Head Coach (ASU) (Agenda Item #10)

Regent Bulla stated that Arizona State University was requesting approval of a one-year extension of the Multiple-Year Employment contract for Herb Sendek, Men's Basketball Head Coach.

Upon motion by Regent Bulla, seconded by Regent Calderón, the Board unanimously approved a one-year extension to the multiple-year employment contract of Herbert Sendek, Men's Basketball Head Coach, according to the terms and conditions set forth in the executive summary.

Approval of Appointment of Vice President for Health Affairs (UA) (Agenda Item #11)

Regent Bulla stated that the University of Arizona was requesting approval of the appointment of William M. Crist to the position of Vice President for Health Affairs.

Upon motion by Regent Bulla, seconded by Regent Calderón, the Board unanimously approved the appointment of William Crist as Vice President for Health Affairs at the University of Arizona, according to the terms and conditions set forth in the executive summary.

Approval of Appointment of Executive Vice President, Treasurer and CFO (ASU) (Agenda Item #12)

Regent Bulla stated that Arizona State University was requesting approval of the appointment of Morgan Olsen to the position of Executive Vice President, Treasurer and CFO.

Upon motion by Regent Bulla, seconded by Regent Leonard, the Board unanimously approved the appointment of Morgan Olsen as Executive Vice President, Treasurer and

Chief Financial Officer at Arizona State University, according to the terms and conditions set forth in the executive summary.

Proposed Amendment to ABOR Policy 6-212, “College of Medicine Faculty” (First Reading) (Agenda Item #13)

Regent Bulla stated that the Board was being asked to review on first reading the proposed amendment to ABOR Policy 6-212. The amendment is needed in order to permit part-time faculty at the University of Arizona College of Medicine – Phoenix, in partnership with Arizona State University to provide healthcare services without being required to be members or employees of UPH.

President Shelton presented some revisions to the language that was presented in the Board book. On page 2 of 3 the executive summary states that UPH and the University are willing to enter into an agreement to modify the terms of the current MSP Agreement for a “limited period of time...” The University would amend this language to delete the words “for a limited period of time.”

AUDIT COMMITTEE (Chair: Regent Mariucci)

Report from the Audit Committee (Agenda Item #14)

Regent Mariucci gave an update on the July 31, 2008, Audit Committee meeting.

The Audit Committee formally accepted three reports from the Auditor General's office on the system. The subjects were Technology Transfer, Capital Project Financing and Information Technology Security.

The Auditor General did a very good, in-depth report on the Tech Transfer matter. The report is extremely well done, the findings are appropriate, strategic and thoughtful. After reviewing the report, the Committee felt that it would be appropriate to have a study session at a future meeting regarding the information the audit brought forward, using it as a springboard to start a discussion around the concept of tech transfer.

The Committee felt that all of the universities had taken the Auditor General's findings very seriously and had implemented the recommendations to move things forward.

Regent Mariucci stated that the Committee felt that audit resources were being used excessively and inappropriately in the area of managerial investigations. The Committee believes managers could be doing more in the case of allegations of impropriety, wrongdoing or failure to follow policy, such as data gathering and analysis. The universities have been asked to come up with a clearer policy on the rules for management in the case of these types of allegations. The policies would help define the role of managers, of university legal counsel and of internal audit. All too often audit is being pulled into the investigation sooner than it should be. Audit hours need to be used to do audits that are in the scope of the audit plans.

Audit staff is now more responsible for reporting on where they spend their time. Regent Mariucci states that the audit staff did a fairly good job of completing planned audit. They got about two-thirds of the planned audits done.

The universities submitted their audit plans for FY09. The audit departments are working to ensure that the items that are being audited are justified from a strategic, financial and resources risk. Management needs to have funding available to hire outside auditors to take on unplanned projects so that the audit staffs can complete the year's plan.

In the next year a great deal of energy will be expended on construction audits. Each university will be doing at least two construction audits of major capital projects this coming year.

Regent DeConcini asked if there was a plan in regards to auditing the new SPEED money. Regent Mariucci responded that the committee has discussed the matter but at this time there is no plan to do that. Regent DeConcini stated that he felt we should find some modest resources to audit the stimulus plan projects. Executive Director Sideman stated that as soon as the plan and the timing are put together, part of the consideration will be how to move forward with the audit plan. Many of the new projects will only be in the planning phase this fiscal year and construction will not be starting until closer to next fiscal year. The Board will have to be able to show that they have done a prudent job of spending the money.

President Crow stated that Arizona State University plans to audit all of their construction projects.

RECESS

The meeting recessed at 3:50 p.m., Thursday August 14, 2008 and reconvened at 9:40 a.m., Friday, August 15, 2008.

Regent Boice called the meeting to order and stated that the first order of business for the day was the report from the President of Northern Arizona University.

REPORT FROM THE PRESIDENT OF NORTHERN ARIZONA UNIVERSITY

President John Haeger introduced David Bousquet who reported on what goes into recruiting students to the university.

David Bousquet reported on undergraduate enrollment. He discussed the impact of tuition on incoming students. Northern Arizona University has returned to its roots with a focus on undergraduate instruction, faculty interaction with undergraduates, and opportunities for interested undergraduates to work side-by-side with faculty on research projects.

STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE (Chair: Regent Bulla)**2020 Vision Strategic Plan** (Agenda Item #15)

Sandy Woodley joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review and provide appropriate guidance with respect to a draft of the 2020 Vision Strategic Plan for the system, including the following components: vision, mission, goals, key indicators of progress, strategies, and specific performance targets to 2020.

Sandy Woodley previewed the 2020 Vision draft. Regent Bulla and Sandy Woodley, thanked everyone that has been working so hard on this project. Success will be measured by the way everything fits together. The work of strategic planning seeps into the process of everything that the Board does. It becomes part of the culture of the Board.

Sandy stated that there are several drafts of long-term financial projections - a costing out of the plan - which the committee is working on. However, they are simultaneously working on a new funding model for the system, to hopefully be completed by November 1. While it is true that costing out the strategic plan may not be the same as a new funding model, it is also true that there can be no inconsistencies between the two processes. Requests to the Legislature for funding to achieve this plan must be consistent with how it has been costed out.

Regent McLendon stated that he thought the performance levels looked very ambitious. Ms. Woodley replied that they were very ambitious. Achieving either the silver or gold standard will depend heavily on how well the K-12, community colleges, and universities are able to attract more students through the pipeline and for more of them to be prepared to succeed. The plan extends beyond the ambition of the university system. The university system alone lacks the ability to reach the silver or gold standard. They can only be achieved if significant change occurs through the entire educational pipeline. Regent McLendon stated this is a great tool. The Board needs to have a plan.

President Crow stated that this planning process is essential for the State of Arizona to move forward. He stated that the Regents need to remember that there are only three universities platforms to work from. The State of Arizona is mired down in protecting the historical, simplistic models that each of our universities represent. He urged the Board to throw off the shackles of the past.

President Haeger stated that one of the shackles is how community colleges are seen. They need to be thought of as a pathway to a baccalaureate degree, not a stopping point. The universities and the community colleges should not be in competition, but they should be partners. The community colleges and the universities should be working together to produce students who have a baccalaureate degree. Another thing that will help is graduating college-ready students from high school.

President Shelton stated that this report captures the comprehensive nature of the challenges faced by the university system.

Regent DuVal stated that the Board needs to drive this process. This is a great start, but the Board needs to push it further. Regent Mariucci stated that planning is everything. Regent Bulla stated that the process has been almost as important as the plan. Regent DeConcini stated the plan was very impressive.

Regent DeConcini asked about how the Board gets the community colleges into our system. Regent Bulla stated that is part of the next steps that will be incorporated into the plan.

Regent McLendon stated that he also believed that it goes further than just the community colleges. K-12 is very important. We need to assist the high schools in telling students that they need all the education they can get.

President Crow stated that he believed that first the huge emphasis needs to be placed on the students who are at the universities and what the universities need to do to retain the students we are getting.

FY 2009 Initial All Funds Operating Budget and FY 2009 State Expenditure Authority (Agenda Item #16)

Gale Tebeau joined the meeting for this presentation.

Regent Bulla stated that the Board was being requested to review and approve the FY 2009 Initial All Funds Operating Budget, including the FY 2009 State Expenditure Authority, for the universities and the central office.

Gale Tebeau highlighted that for the second cycle there are no university accounts with deficits of over \$100,000. The proposed FY 09 State Expenditure Authority is about \$1.6B, an increase of about 2% of FY 08. The general fund for both the All Funds Budget and the State Expenditure Authority is not yet a final allocation. There will be an additional cut of \$3.2M for the system for vacancy savings from the Governor's requested hiring freeze. There will also be a change once the employer's contribution for health insurance premiums is announced.

Regent Mariucci asked what components of these numbers are at risk and not guaranteed. For example, income from grants, gifts and contracts. She further asked if cash contributions are equivalent to personal and foundation donations to the university and how do we distinguish between gifts to the university and gifts to the foundation. Gale stated that the only gifts shown are gifts to the university. Gifts to the foundation are not shown. Regent Bulla stated that the projections of gifts have been very close over the years. President Shelton stated that the University of Arizona took a very cautious view of estimating this number. They utilize past history and monitor the numbers very carefully. President Crow stated that Arizona State University had great confidence in their numbers. Grant money is not spent until it is received. Joel Sideman stated that maybe this report needs to be reconfigured to make it more helpful. Regent Bulla stated that the Strategic Planning, Budget and Finance Committee would look at this report.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the FY 2009 Initial All Funds Operating Budget, including the FY 2009 State Expenditure Authority, as presented in the Executive Summary.

TUITION TASK FORCE (Chair: Regent Calderón)

Tuition Setting Process and Calendar for the 2009-2010 Academic Year (Agenda Item #17)

Sandy Woodley joined the meeting for this presentation.

Regent Calderón stated that the Board was being asked to approve the recommendations from the Tuition Task Force for a revised process and calendar for establishing tuition and fees for 2009-2010.

Regent Calderón stated that the recommendation that was being presented was the recommendation of the Tuition Task Force. The recommendation requests approval for the upcoming tuition setting cycle as a pilot project. The reason for proposing the recommendation as a pilot is to have the opportunity to see what works and what needs more work.

Sandy Woodley then provided an overview of the concept being presented. What is trying to be done is to take some of the pieces that are already done and formalize them to lead to better decision making. The objectives are adequacy, aid, access and alignment. There are many factors that need to be considered. There are two philosophies about setting tuition, one is market price, meaning how much will the market bear. The other is pure affordability. This policy is aimed at providing a balance between the market base and the affordability issue.

In this plan, Regents will be taking a pro-active role in the tuition setting process. The plan provides more options for tuition targets. It establishes analytical framework for debate and decision making and it links tuition setting to strategic plan goals and objectives.

Regent Calderón stated that the Board wants to have accessibility, affordability and predictability when it comes to tuition. This process does not change those at all.

Regent Calderón stated that we have to have a measurement, something to look at to see that tuition is within reason. The Board has selected the top of the bottom one-third as that measurement. This plan references the top of the bottom one-third and uses it as a reference point.

Regent Martinez stated that he was concerned with the proposal that was being put before the board because tuition could exceed the top of the bottom one-third. He also stated that the top of the bottom one-third of a 50 state survey was an arbitrary ranking using a smorgasbord of institutions. He would like to see a better list of institutions be used than the 50 state survey list. He stated that he was going to be making a motion changing what the Task Force was recommending.

Regent DeConcini stated that he believed the Board should not have a policy about the top of the bottom one-third, but rather devote more effort to what the presidents are doing to create financial aid and getting increases from the legislature. The Board needs to put more pressure on the legislature to provide the appropriate funds. The Board has the authority to set the tuition where ever it wants.

President Crow stated that he agreed fundamentally with the principles that Regents Martinez and DeConcini stated, that you have to make access to what we provide available to everyone, that no one is left out for a financial reason. But, the manipulation of the price of tuition is not how that is done. President Crow said that it is the low tuition that is keeping the universities from being able to build access, notwithstanding the state's investment. He stated that he believed there are lots of ways to get things done, but what the universities need are resources. The Board should ask why is it that there are fewer Pell Grant eligible students attending the public universities in this state than in others. The reason is there are insufficient resources to find those students and to make positions for them available. No one should be left out for financial reasons.

Regent Calderón asked President Crow if he wanted to retain the top of the bottom one-third. President Crow stated that was the card that the universities were dealt.

Executive Director Sideman stated that the concept is that there is a need for a standard. In the recent Supreme Court's decision regarding tuition, the court basically said that this is a decision for the Regents to make in the context of the real world that we live in and not a decision that should be second guessed by the courts. The Board is still faced with how they carry out the constitutional mandate that instruction be provided as nearly free as possible. Given that the Board accepts that for instruction to be provided as nearly free as possible, it takes a combination of public support that the legislature has to provide, and tuition and fee support provided by the families, is there not still a need for some way to measure the as nearly free as possible part? So the task force is suggesting, within the framework of keeping that standard, there are objective factors that need to be put on the table. Joel stated that the Board could move away from the top of the bottom one-third but there still needed to be a reference point, some standard.

Regent Calderón stated that the Supreme Court did say that if there was one area that could be improved upon, it would be documenting the thoughtfulness and discussion that goes into this process. This kind of discussion is exactly what the court was referring to.

Sandy Woodley stated that this proposal goes beyond the top of the bottom one-third by saying that funding adequacy is going to be factored in and based on the strategic plan, and if the stars are lined up because affordability conditions are met and the universities still need more resources, the Board would have the flexibility to exceed the top of the bottom one-third. The other extreme would be if the data points to the fact that you shouldn't go that high, you have the flexibility to not go to the top of the bottom one-third.

President Crow stated that the proposal that Arizona State University brought last year was the proposal that the financial model was built on, we are using that proposal for a multitude

of things, and the university is operating under the assumption that predictability was built into that proposal last year.

President Shelton stated that the University of Arizona is committed to access for all qualified students. With respect to the obligations of the legislature, he agreed with any effort the Board could make to encourage the legislature to step up to the plate. With respect to the top of the bottom one-third he didn't see any reason for the institutions that were in the 50 state survey list. He stated that there should be some reference frame. He believes that a reference frame should be formed from realistic peers, it should be a fair match and it shouldn't mean that a university has to go there, but it gives a real sense of where the university stands with respect to the competition.

President Haeger stated that the 50 state survey list could be better. It is a benchmark, but certainly not the best. He stated that tuition is the wrong thing to look at. The Board should be looking at what the universities need in terms of resources to run high quality institutions and serve the state. That should be the starting point. There are two main sources of income at Northern Arizona University. Monies received from the legislature and tuition and fees. To maintain progress, both of those pieces need to be in play. This year is scary, there is already a state cut in an inflationary economy and now tuition must be determined. This will be a different type of discussion this year, because as a system we need to determine if we will be able to continue to move forward in this economy or will the universities have to pull back, which means less access, less affordability when those issues are important to the state and the nation.

Regent Bulla stated that when you look at the long-term numbers it is going to be difficult to ever have enough money to provide for the number of students that the system will need to provide for in the future. He further stated that he would not like to see the Board restrained by policy. If you don't have quality, the perceived value will go down. The Board needs to have leeway in setting tuition.

President Crow stated that the universities are assigned by the Board to move forward, react, take the students that are qualified and move the institutions forward. Arizona State University will have 4,700 qualified students more this semester than last semester. There is no state support for any of those students. The only revenue source the university has for those students is tuition.

Regent DuVal stated that he believed there was one consideration that hasn't been articulated. For the same reason that the Board talks about the value of predictability there is enormous value in knowing that we are not living under the threat of lawsuits or potential revision of the Supreme Court decision. The Board does have permission from the court that the top of the bottom one-third does pass constitutional muster and that is of real value in terms of long-term sustainable planning. The Supreme Court could, at some point, decide we have exceeded our discretion and inflicts some price. So, predictability is worth some consideration.

Regent Calderón pointed out that one of the major changes will be in the timing of the process. The Board, under the new guidelines, will be taking action on tuition parameters for university proposals at the September Board meeting.

President Crow asked if this change would change the guaranteed tuition for five years that was approved last year. The Regents stated that this change did not affect what has happened previously.

Regent Martinez stated that his recommendation for a new motion would only be changing the parameters of how high tuition could go.

Regent Boice stated that it is interesting that tuition has gone up, but affordability and accessibility have gotten better. As long as the Board continues to think in the terms that tuition and affordability and accessibility have a one to one relationship, the Board is just milling around and not really getting anywhere.

Upon motion by Regent Martinez, seconded by Regent DeConcini, the Board approved, as a pilot, the tuition setting process and calendar for the 2009/2010 academic year as presented in the executive summary with the amendment that the mid-tier and the max-tier be swapped; so the mid-tier would read, greater than low-tier, not to exceed the max-tier, to be determined by the Board annually; and the max-tier would read, greater than the mid-tier, not to exceed the top of bottom one-third of 50 state survey - current policy. The motion passed with a vote of 6 to 3, Regents Boice, Bulla and Mariucci voted against the motion.

Regent Calderon stated that he would ask that the Tuition Task Force continue to meet to discuss the appropriate comparator for top of the bottom one-third numbers.

JOINT CONFERENCE COMMITTEE (JCC) OF THE UNIVERSITIES AND COMMUNITY COLLEGES

Report from the Joint Conference Committee (JCC) of the Universities and Community Colleges and Consideration of the Recommendation from JCC (Agenda Item #18)

President Haeger reported that the JCC has been urged by the Ad Hoc Committee on Higher Education of the P-20 Council to move forward on developing a process to expand baccalaureate degree programs on community college campuses. On July 17 the JCC met and there was an expectation that the JCC would be approving an implementation process. However, when the motion came to a vote, the group broke among sector lines with the three university members voting no and the 4 community college members voting yes.

President Haeger stated that they were voting on the process and there were two issues, which he felt were critical, on which the committee could not come to a consensus. One was each community college wanted the right to develop and conduct its own process for determining the need for a baccalaureate degree. President Haeger stated he believes that independent validation of the need is critical. The other issue was what happens if a community college issues a baccalaureate degree, who is in charge of the degree; ABOR, JCC, or the Community College Board. President Haeger stated he voted no because he believed these matters needed to be resolved before this process goes further.

Regent DuVal stated that there is a lot of change taking place around this discussion. The product that is being discussed is being impacted by changing climate, new education models, and new relationship models, and also political leadership is saying no to the concept, as well as the fact that the community colleges have lost their governance structure. He stated that he believed this concept has now been passed by and it was time to move to a new paradigm.

Regent McLendon stated that he just felt there were problems as stated by both President Haeger and Regent DuVal.

CAPITAL COMMITTEE (Chair: Regent Calderón)

Regent Bulla had to leave the meeting at 12:00 p.m.

Regent Mariucci stated that her issue was concerning the sale of system revenue bonds. She felt the universities needed to provide better numbers. For example the resolutions state the university wants to sell System Revenue Bonds to finance the \$xxxx worth of a project including things like capitalized interest, related issuance costs, which means they need to sell bonds worth more than they are disclosing. She stated that she felt the resolutions should be made clearer and the Board should be approving a not to exceed amount and the resolutions should include estimates of additional costs.

She further stated that when the universities go out and sell debt to finance capital projects they have the ability to build in a couple of year's worth of interest payments for the bonds. Presumably that is calculated into the debt service ratio, but in our uncertain funding environment and politically it seems that it would be a good Board decision to pack in as much capitalized interest to our bond offerings as we can. She would like to hear back from the universities, after discussions with their bond people, as to how much capitalized interest the universities could get.

Charles Ingram stated that the University of Arizona would change their language on future resolutions to have not to exceed numbers which include estimated capitalized interest and issuance costs. One of the things that is taken into consideration is the estimate of how much bond proceeds are going to earn at the trustee during construction. That income is usually used to offset issuance costs. On this project, the need for capitalized interest is driven by the previously approved phasing in of dorm rates. He also stated that the universities strategy was to lock in capitalized interest for as long as possible.

Regent Mariucci also asked why the university was not using someone like American Campus Communities to do residence hall projects on campus. Charles Ingram and Bob Smith responded that that had spoken with ACC about this project and they were not interested. The university is having further discussions with them about future projects. She stated that she felt it was very important that when possible the universities use outside interests to complete projects of this nature.

Project Approval: Sixth Street Residence Halls Project (UA) (Agenda Item #19)

Bob Smith and Lorenzo Martinez joined the meeting for this presentation.

Regent Calderón stated that the University of Arizona was requesting Project Approval for the \$159.3 million system revenue bond project to construct new residence halls at two sites on the UA Main campus. The new facilities are anticipated to accommodate 1,066 students. The Capital Committee had reviewed this item at its July 24, 2008, meeting and recommended Board approval.

Upon motion by Regent Calderon, seconded by Regent Mariucci, the Board unanimously approved the University of Arizona's request for Project Approval for the Sixth Street Residence Halls project, as presented in the Executive Summary.

Project Approval and Budget Increase Approval: Residence Life Building Renewal Phases 3 and 4 (UA) (Agenda Item #20)

Regent Calderón stated the University of Arizona was requesting Project Approval and Budget Increase Approval for the Residence Life Building Renewal Phase 3 and Phase 4 Projects. The projects will primarily include renovation of plumbing and associated mechanical systems in three residence halls comprising over 320,000 square feet. The estimated cost of the projects has increased from \$21.9 million to \$37.3 million since Project Implementation Approval in September 2006. The Capital Committee reviewed this item at its July 24, 2008, meeting and recommends Board approval.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously approved the University of Arizona's request for Project Approval and Budget Increase Approval for the Residence Life Building Renewal Phase 3 and 4, as presented in the Executive Summary.

Approval of Issuance of System Revenue Bonds to Finance Sixth Street Residence Halls Project and Residence Life Building Renewal Phases 3 and 4 (UA) (Agenda Item #21)

Regent Calderón stated the University of Arizona was requesting approval to sell System Revenue Bonds to finance the \$159.3 million Sixth Street Residence Halls Project, and the \$37.3 million Residence Life Building Renewal Phases 3 and 4 Projects, including capitalized interest, related issuance costs, and execution of necessary agreements. The Capital Committee reviewed this item at its July 24, 2008, meeting and recommends Board approval.

Upon motion by Regent Calderón, seconded by Regent Mariucci, the Board unanimously approved the University of Arizona's request for authority to issue system revenue bonds to finance the Sixth Street Residence Halls Project, and the Residence Life Building Renewal Phase 3 and Phase 4 Projects, including capitalized interest, related issuance costs, and execution of necessary agreements, as presented in the Executive Summary, with the proviso that at the next Board meeting the University of Arizona will come back with a figure to be added to this as a not to exceed amount.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

Dr. Mutchler reported that the AFC has been busy. He stated that the AFC will be increasing its involvement with the Solutions campaign. The AFC will take a more active role on the committees that the Board has. Productivity issues were discussed. The AFC is working on its strategic plan.

INQUIRIES, REQUESTS, REPORTS, AND COMMENTS FROM REGENTS AND MEMBERS OF THE COUNCIL OF PRESIDENTS

Regent Boice expressed the Board's appreciation to President Haeger, everyone at NAU, the High Country Conference Center and the Drury for an exceptional meeting.

ADJOURNMENT

The meeting adjourned at 12:20 p.m.

SUBMITTED BY:

Margaret L. Martin
Secretary to the Board

APPROVED BY:

Fred T. Boice
President