

MINUTES OF A MEETING



September 25 & 26, 2008

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**MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
Thursday and Friday, September 25 - 26, 2008**

A meeting of the Arizona Board of Regents was held September 25 and 26, 2008, in the High Country Conference Center, at Northern Arizona University, Flagstaff, Arizona.

President Boice called the meeting to order at 9:28 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
 Superintendent Tom Horne (Thursday afternoon only)

Absent: Governor Janet Napolitano

Also present were President John Haeger, Mr. Mark Neumayr, Mr. Rich Bowen, Dr. M. J. McMahon, Ms. Kathe Shinham, Ms. Christy Farley and Ms Sandy Castro, Northern Arizona University; President Robert Shelton, Mr. Greg Fahey, Dr. Jacqueline Mok, Ms. Carla Nunn, Dr. William Crist, Dr. Gene Sander, Ms. Judith Leonard, Mr. Dave Harris, Mr. Bruce Wright, Dr. Leslie Tolbert, Dr. Meredith Hay, University of Arizona; President Michael Crow, Dr. Christine Wilkinson, Mr. James Rund, Ms. Carol Campbell, 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. Gale Tebeau, Ms. Andrea Smiley, Ms. Kathy Bedard, Mr. Dan Anderson, Mr. Art Ashton, Ms. Christine Thompson, Dr. Mark Denke, Mr. Lorenzo Martinez, Dr. Sandra Woodley, Ms. Emily Palumbo, Ms. Stella Galaviz, Mr. Rick Gfeller, Ms. Cathy McGonigle, and Ms. Stephanie Jacobson, Central Office, 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 September 25-26, 2008 Documents Files.

Regent Boice welcomed everyone to the meeting

Regent McLendon led the Pledge of Allegiance.

President Boice welcomed Dr. William Crist. He stated that Dr. Crist is the new Vice President for Health Affairs at the University of Arizona. Dr. Crist was Dean of the University of Missouri School of Medicine and is a nationally known pediatric hematologist. Dr. Crist has had a very distinguished career which includes graduation from medical school in

Missouri; he completed his residency at Washington University in St. Louis and he spent two years in the Air Force. His academic medical career includes time spent at the University of Alabama-Birmingham, St. Jude Children's Research Hospital, the University of Tennessee College of Medicine-Memphis, and the Mayo Medical Center in Rochester, Minnesota before returning to Missouri as Dean.

Dr. Crist stated that it was a great honor for him to accept this position and he was very happy to be working with the Universities and the Regents.

CONSENT AGENDA

Item #16 was removed from the Consent Agenda. All remaining 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 McLendon, seconded by Regent Martinez.

***Minutes**

The June 19-20, 2008 Executive Session Meeting Minutes and the August 14-15, 2008 Regular Meeting Minutes were approved.

RESOURCES COMMITTEE CONSENT AGENDA

***Intergovernmental Agreement (IGA) between the Arizona Board of Regents acting on behalf of the University of Arizona and Pima County for Clinical Teaching Program Federal Medicaid Matching Funds (UA) (Agenda Item #6)**

The Board approved the University of Arizona's request for ratification of an IGA between the Arizona Board of Regents on behalf of the University and Pima County, Arizona, providing for the transfer of \$1,827,838 to be combined with an equivalent amount from the County to secure new federal funding in the amount of \$7,182,378 in support of Graduate Medical Education programs.

***New and Continuation Awards (ASU) (Agenda Item #7)**

The Board approved Arizona State University's request for approval for new and continuation awards as shown in the Executive Summary.

***Research Contract with Nano-Optonics Research Institute, Inc. (UA) (Agenda Item #8)**

The Board approved the University of Arizona's request for approval to enter into a contract with Nano-Optonics Research Institute, Inc., to manufacture a 6.5 meter primary mirror for use in a telescope at Tokyo Altacama Observatory. The contract will consist of a total anticipated funding amount of \$11 million for the life of the project.

CAPITAL COMMITTEE CONSENT AGENDA

***Acquisition of Surplus Federal Real Property for the University of Arizona Maricopa Cooperative Extension Program (UA) (Agenda Item #24)**

The Board approved the University of Arizona's request for approval to acquire federal USDA Water Conservation Laboratory property at 4341 E. Broadway Road, Phoenix, Arizona, through the U.S. Department of Education, at no cost. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommends Board approval.

***Lease Renewal with Arizona State Land Department for College of Agriculture Red Rock Agricultural Center (UA) (Agenda Item #25)**

The Board approved the University of Arizona's request for approval to renew a ten-year commercial lease with the Arizona State Land Department for 4,637 acres of state trust land for the College of Agriculture research and experimental station known as the Red Rock Agricultural Center (RRAC) in Marana, Pinal County. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommends Board approval.

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 entire Board in a public setting.

Jen Frey - Northern Arizona University's Classified Staff Advisory Council and Tri-university Classified Staff Advisory Council - spoke to the current and upcoming budget constraints, stating that keeping staff employed and effective is the Council's number one priority.

RECOGNITION OF STUDENT FROM NORTHERN ARIZONA UNIVERSITY

Regent Boice introduced and welcomed Colleen Cooley. Colleen is from Shonto, Arizona, on the Navajo Nation. She graduated in May 2008 from NAU with a BS in Environmental Sciences. She completed her entire undergraduate program at NAU. She is currently working in the laboratory of Dr. Catherine Gehring and is carrying out her own project on a national research Fellowship.

Ms. Cooley spoke about her undergraduate experiences at NAU. She discussed what she was doing now and stated, among other things, that NAU has many services for students and they truly care about each individual student.

STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE (Chair: Regent Bulla)**Annual Personnel Report (Agenda Item #1)**

Gale Tebeau joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review and approve the 2008 Annual Personnel Report for the Arizona University System, as required by statute. The Human

Resources Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval.

Gale Tebeau presented this item, stating that the personnel report was required by law. The report includes information regarding the amount it would take to bring salaries up to market level, turnover, compensation compared to market and overtime pay. Unmet need is what is needed to bring faculty salaries up to the median of their peers and to raise salaries of all other staff up to the market. Total unmet need estimated for 2010 is \$187M. Each university has a section in this report.

Upon motion by Regent Bulla, seconded by Regent Leonard, the Board unanimously approved the Annual Personnel Report as presented in the executive summary.

FY 2010 State Operating Budget Requests (Agenda Item #2)

Gale Tebeau joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review and approve the universities' and central office FY 2010 State Operating Budget Requests. The approved budget requests will be forwarded to the Governor and legislature on October 1. He stated that the universities presented their preliminary requests at the Strategic Planning, Budget and Finance Committee on September 12, 2008. At that time, the system requests totaled over \$200 million. The committee asked the universities to reevaluate their priorities and requests and to bring the numbers down given the state of the state. The Strategic Planning, Budget and Finance Committee met again on September 19, 2008, and reviewed the revised requests and recommended that these requests be forwarded to the Board for approval.

Regent Bulla stated that the budget requests presented today totaled about \$80 million for the system, which is about a 7 1/2% increase over this year's general fund appropriation. The major components include funding for enrollment growth and the College of Medicine and Biomedical Campuses in Phoenix. The requests also include some funding for high priority items such as STEM initiatives and student access and success initiatives.

President Haeger stated that his budget request is concentrated on enrollment growth funding. Northern Arizona Universities is also asking for additional funding for student access and success, and two STEM initiatives. President Haeger further stated that Northern Arizona Universities had not asked for funding for critical issues, but he felt it was important that these matters stay in front of the legislature and the regents as the universities look to the future. The critical issues for Northern Arizona University are new health program expansion in Phoenix, competitive faculty salaries, utilities, new facilities operations support, health premiums and a predictable building renewal funding.

President Crow stated that ASU is making progress in its goals of linking academic excellence with high levels of access and high levels of impact. ASU is moving forward on its assignment of handling the majority of the state's enrollment growth. There does not appear to be a reduction in demand for services, but rather an increase. The university, while moving forward, just completed implementing a \$35M state budget reduction. ASU's budget request is also concentrated on enrollment growth. There is also an amount for funding for

all ASU students which will help provide additional support for the students. President Crow stated that Arizona State University needs help in regards to enrollment, if the university cannot get enough resources they may have to limit students. President Crow stated that without an increase in the investment made in ASU he would be asking the Regents for a suspension of automatic admission of community college students to ASU, tuition adjustments in five of the most expensive schools, and he stated that the strategic planning process needs to have budget options assigned to it. President Crow stated that his budget request would support current enrollment growth and begin to provide funding for all students at ASU. There was also a smaller request to support continued development and enhancement of the Biomedical Informatics Program and the Phoenix Biomedical Campus. President Crow stated that the most pressing critical issue for ASU continues to be the implications for program quality and student success outcomes due to the lack of full funding.

Regent DeConcini stated that if he understood President Crow correctly, he was saying that if Arizona State University does not receive more funding, there will be no recourse but to limit how many students can be admitted. President Crow stated that was correct. Regent DeConcini stated that this issue needs to be publically demonstrated. The legislature needs to understand what might happen. President Crow stated that Arizona State University and he knew the other universities were all looking for everything they could do to become more efficient.

President Shelton stated that the University of Arizona's request has a strong focus on people. Their top priority is to support the current enrollment growth. Next they need to provide the highest quality educational opportunity to students with the support of faculty that educate those students as well as deliver programs that are in high demand areas such as commerce and teacher preparation. There is also a request for the UA programs on the Phoenix Biomedical Campus increasing student class size to meet health care needs. President Shelton stated that his critical issues were addition funding to provide the highest quality education opportunity for students and the support of faculty as well as increased costs related to utilities, benefit costs and operations.

President Haeger stated that all three universities were in a growth mode, but they were getting a static budget. The net result of this situation is that there will be little progress in the next year or so.

Regent Bulla then asked the presidents what reductions have already taken place to become more efficient.

President Haeger stated that Northern Arizona University has completed a major reorganization, put in place reductions in the number of colleges and schools, restricted program growth, centralized the budget, used technology solutions to better manage the university, and outsourced some entities, such as the bookstore.

President Crow stated that Arizona State University has worked to enhance revenue from every possible source, made budget adjustments to deal with revenue shortfalls, eliminated campus based academic affairs officers on each campus, reduced summer and winter session offices, eliminated the office of academic community engagement services, strengthened college based academic advising activities, restructured extended education,

merged programs, had a reduction in force of 300 employees, worked for better energy efficiency and eliminated every possible service that can be eliminated.

President Shelton stated that the University of Arizona has renegotiated some contracts; utility savings techniques have been implemented, redistributed funds to higher priority items, eliminated some staff and faculty positions and/or not filled the positions upon retirement or resignation and are working on a reorganization that will result in the elimination or consolidation of some programs.

Regent Martinez stated that the students at the Arizona universities were more than willing to work with the Regents and the legislature to help with the budget issues. He hopes the legislature will realize its responsibilities to help maintain the quality of the higher education institutions.

Regent DeConcini stated that he believed that the universities should be submitting a request for the real money that they need, not just a request for the minimal amount that is acceptable. The presentation of this budget needs to underscore the crisis the universities are facing. Regent DeConcini stated that he believed the universities needed to say to the legislature that if you don't fund us we will need to stop educating x number of students. This is a crisis.

Regent Bulla stated that he wished that the legislature won't cut what is being submitted because the Board and the universities have been prudent, focused in strategic direction and have asked for only critical funding. But considering the state of the state, he believes that there is a possibility that there will be more cuts.

Regent McLendon stated that he believed it is very important that all of the information regarding reductions and various efficiencies that have been put into place on the campuses be kept out in front of the public and the legislature. It is important that they understand all that the universities are doing to keep costs down. These are tough times, but education is a way to help the economy.

Upon motion by Regent Bulla, seconded by Regent DeConcini, the Board unanimously approved the FY 2010 State Operating Budget Requests as presented in the executive summaries.

ACADEMIC AFFAIRS COMMITTEE (Chair: Regent DeConcini)

FY 2008 STUDENT FINANCIAL AID REPORT AND FY 2009 AND FY 2010 FINANCIAL AID PLANS (Agenda Item #3)

Mark Denke (CO), Craig Fennel (ASU), David Bousquet (NAU) and John Nametz (UA) joined the meeting for this discussion.

Regent DeConcini stated that the Board was being asked to review and approve the universities' FY 2008 Student Financial Aid Report and FY 2009 and FY 2010 Financial Aid Plans. The report includes disbursement of financial aid from FY 2008 and the financial aid plans for FY 2009 and 2010.

Regent DeConcini stated that this report was discussed at length at yesterday's Academic Affairs Committee meeting but was not approved, so it will be coming back to the next Board meeting for approval.

Mark Denke reported that the amount of aid has increased. In 2007-2008 the total financial aid from all sources amount to \$1.06 billion, a 7.5% increase over last year and a 47.1% increase over the last five years. Student loans and universities continue to bear the burden as sources of financial aid. The largest portion of the increase in aid and the largest source of financial aid awards came from student loans, 44.9%, and institutional aid, 23.4%. The smallest source of funding continues to come from the state, 1%.

The amount of state aid has increased. Total aid awarded from the Arizona Financial Aid Trust fund was \$8.7M. 4526 students were awarded AFAT aid with an average award of \$1,926. The number of students receiving state aid has increased. 94,625 students received some form of financial aid. Financial aid is awarded to households at all income levels. The average financial aid package for a family with an annual household income of less than \$20,000 was \$11,603. The average net tuition paid is \$2,027.

The amount of debt at graduation is a key measure that is monitored. Over the past five years, the increase in debt at graduation has been only 3%. Institutional aid has been a major factor in minimizing the effects of tuition increases. During the same five year period, the number of students with debt at graduation increased; a 12.2% increase for undergraduates and a 48.4% increase for graduate students.

In a national comparison of the 50 senior state universities, the Arizona University System ranks 11th in the total amount of undergraduate financial aid and 32nd in the amount of state aid.

Regent Mariucci asked each university representative seated at the table to comment on their views of financial aid. The Board needs to stay focused on the fact that the average net tuition paid is \$2,027, a bargain price for a college education. What do you think can come from financial aid to contribute to the optimization of operating and continuing to operate the universities in the current fiscal crisis without sacrificing quality and being able to maintain the focus on enrollment growth?

David Bousquet stated that NAU's approach to this has been to enter into an agreement with the students in which the university guarantees four years of financial aid. The university partners with the student to make tuition predictable and affordable. He stated that NAU had a formula that required both the university and the student to make a contribution.

Craig Fennel stated that at ASU has been taking a very personal approach with how they work with the students. They recognize that no two students' situations are alike, they are encouraging and bringing students in for one on one consultations to talk about their individual and unique circumstances and working out the best way to fund their education.

John Nametz stated that the UA has seen some slippage regarding the amount of need that the university is able to meet for the most critical needy group. The university met 60% of the

need of this group this year, where last year it met 64% of the need of that group. That is a group where opportunity lost may never be regained. That is being addressed by the new Arizona Assurance Program. The universities need to be very creative with how they create opportunity.

Regent Mariucci stated that the Board needs ideas, ways to rereationalize the way we spend money and what we get when we spend it. The universities spend \$10m/year on the Regents High Honors Endorsement Scholarships; do you keep this program or not. The Board needs ideas, are there choices and tradeoffs that can be made? Ideas need to be out on the table. The Board and the universities need to be able to say to the legislature, "we can do this, but the consequence is this," or, "we can do these ten things, but if we do them, this is what will happen."

Regent Bulla stated that he thought that it would be a good thing to have the unmet need calculation in this report. Regent Bulla then suggested that the Board does need to look at things like the Regents High Honors Endorsement Scholarships which was recently put in place and is costing a great deal of money. Regent Bulla stated that he would like to see some prioritization of what is being done with financial aid.

Regent Calderón asked what would happen if the Board changed the percentage of the set aside for financial aid from 15% to 16%. John Nametz stated that would be approximately an additional \$1.1M, Craig Fennell stated that would be approximately \$2.3M and David Bousquet stated it would be approximately \$800,000.

President Crow stated that he had some ideas. Presidents could cap the in-state merit amount; the Board can start to realize that the universities are overpaying wealthy families through merit aid; and the Board should allow the universities to charge market to graduate students.

Regent DuVal stated that the Board has increased financial aid at twice the rate that the universities have grown, yet there does not appear to be even a dent in the debt load. Craig Fennell stated that he felt the system was making a dent. Averages are dropping. But, you need to remember different students make different choices for different reasons. The financial aid officers are trying to get students to only borrow what they need and make the best decisions long term.

President Haeger stated that the presidents need to think about things that could be done but many things that could be done will also affect the quality of the institutions as well as the financial stability of the students and the quality of the faculty. Some of the issues that could be looked at would be only hiring lecturers which would impact the quality of the education students were getting; the universities could reduce the amount of financial aid a student was getting, but we would lose a lot of students who just couldn't come if they couldn't get financial aid; we could move tuition to a level that would allow the institutions to serve the students it has.

Regent Bulla stated that maybe the Board could put new policies in place that would help manage some of the financial aid issues and how financial aid is distributed. He would like to

see some information or reports that would help the Regents make decision about financial aid.

Regent Mariucci stated that she thought that higher education, more so in Arizona, is at the point of a major transition of why higher education exists and what our mission is. The mission of universities has been very socially driven; the social mission is broad, expansive and inclusive. She stated that she believed that this is changing. The changes in the economy are going to change the mission from a social mission to a market mission. Funding sources will need to be optimized, priorities will need to be rationalized, elasticity of demand will need to be measured so that we can produce the right kind of degrees and understand the cost structure down to the lowest denominator so the universities can charge what it costs the system to produce. The Board needs to start thinking about this type of change.

Regent Calderón asked if there was any relationship with the number of out-of-state students that are admitted and the amount of financial aid that is available. If you increased out-of-state tuition would it decrease the number of out-of-state students and therefore decrease the amount of financial aid. David Bousquet stated that he believes the Board needs to be sensitive to price, that if you raise the out-of-state tuition too high, we would not get as many out-of-state students and it could affect the amount of financial aid that is available. Craig Fennell stated that he believed there was a ceiling on the cost of out-of-state tuition for all schools. Where that number exactly is, is not known. John Nametz stated that he felt that in some areas, the university was already above its ceiling for non-resident tuition, and to mitigate that the university is giving some small scholarships. Mr. Nametz further stated that non-resident tuition is a very positive thing and to increase it disproportionately will probably hurt the university in the long run.

Regent DuVal asked if there were ways that we could look at financial aid to see whether some financial aid dollars are more productive than other financial aid dollars. John Nametz stated that it could be done.

Regent DeConcini stated that this item will be revisited and placed on the December agenda for approval.

RECESS

The meeting recessed at 11:43 p.m. and reconvened at 1:44 p.m. Tom Horne joined the meeting.

RESOURCES COMMITTEE (Chair: Regent Calderón)

Discussion Regarding Scope of University Investments (Agenda Item #5)

Nancy Tribbensee and Kathy Bedard joined the meeting for this presentation.

Regent Calderón stated that the Board was going to discuss the scope of university investments, including consideration of prohibiting investments in terrorist-sponsoring nations.

Regent Calderón asked each of the three universities to work through Nancy Tribbensee to provide the Board of an assessment of what the university policies are, what the investment guidelines are, etc., and will provide the Board with the information at a later date.

Tuition Parameters for 2009/2010 Academic Year (Agenda Item #4)

Sandra Woodley joined the meeting for this presentation.

Regent Calderón stated that the Board was being asked to approve Tuition Parameters for the 2009/2010 Academic Year. The recommendation and the policy brief in the Board materials are based on the work of the Tuition Task Force. This new process is a pilot. The Tuition Task Force will reconvene after the December meeting to debrief, and talk about possible improvements. The comprehensive funding review currently underway is expected to result in a newly approved set of peers for each university. The Task Force believes that these new peer sets should play a role in tuition setting. The Task Force will consider how to incorporate them into the process for next year.

Sandra Woodley stated that the maximum parameter that is in the recommendation is based on the current policy and that is that the institutions be allowed to submit proposals that do not exceed the top of the bottom one-third.

Sandy further stated that the analytical framework gets at funding adequacy, how much does it take for the institutions to be able to achieve the plan, can they get all the way to gold or only make it to bronze, what are the resource guidelines to get all the way to the objectives, how do budget cuts play into the decisions that will be made. The objectives cannot be met if resources levels are not met or if students are priced out of the door. The conclusion from the analysis is that the Board recommendation is that the universities be able to go all the way to the top of the bottom one-third on their requests for tuition increases.

Regent Calderón moved, and Regent Bulla seconded the motion that the Board approve, using current ABOR policy, the top of the lower one-third of the 50-state survey, as the maximum parameter for setting tuition for the 2009-2010 academic year, as presented in the executive summary.

Regent Calderón stated that this was an interim step that was instituted to relieve the high level of anxiety of not knowing and not being able to prepare for what number was going to come out in November. The Task Force thought that it was important is to set a maximum and give the presidents the opportunity to prepare for the vote in December, and give the Board and students fair warning about what could be. Sandy stated that the other purpose was to be able to prepare a very detailed analytical framework for decisions, to give the Board the information needed to make a decision and for the Regents to be able to take the first initial step as to what the maximum amount could be.

Regent DuVal stated that on one hand the Board wants to achieve predictability. He stated that the premise that there should be a cap is understandable and that the top of the bottom one-third should be the starting point is correct, but there are exceptional circumstances that could justify going beyond the top of the bottom one-third. Because of this Regent DuVal stated that he would like to make a motion to amend Regent Calderon's motion.

Regent DuVal moved, and Regent McLendon seconded the motion to amend Regent Calderon's motion so that the Board could, with a super majority vote, exceed the upper parameter.

Regent Martinez stated that he was not in favor of this motion. He believed that tuition needed to have a cap. He would like for the Task Force to revisit the policy and take into consideration the possibility of a different peer group. Just because the state is in a crisis, it is not correct to put the onus on the students.

Regent DeConcini stated that he was opposed to this motion as well. First, he stated that he is not in favor of super majorities. He further believes this is a motion that just opens a door. He stated that he thought the onus needs to be put on the legislature and then, if they fail to respond, the Board could consider other options.

Regent Mariucci stated that this is a very difficult situation. The Board supports more predictability and more notice to the students, but the Board is operating in an extraordinary time. Because of this you should have every tool in your arsenal available to you to deal with unpredictable, chaotic situations of crisis. As a matter of principle, I do not favor anything that ties the Board's hands in any way. There are going to be some very tough choices to make in the future. Maybe the Board needs to start from square one on the tuition policy.

Regent Boice stated that over the last six years tuition had gone up a great deal, somewhere in the range of 300%, yet the universities are more affordable, more accessible and the average student loan amount has not gone up significantly. He stated that he was not that concerned about what tuition was as long as the system was able to see that higher education is available to every qualified student in the State of Arizona. Regent DeConcini asked if the state contribution went up or down during that time. Regent Boice stated that the state contribution went up and down over the various years and he really wasn't certain what the net result was. President Crow stated that the state has increased its investment in the institutions, but not by the rate of growth.

President Shelton stated that the percentage of the state budget spent at the universities on higher education twenty years ago was about 16% - 17% and now it is down around 9%. A smaller percentage of state dollars is being spent on higher education.

Regent DuVal then withdrew his motion with the concurrence of Regent McLendon.

Upon motion by Regent Calderón, seconded by Regent Bulla the Board approved, using current ABOR policy, the top of the lower one-third of the 50-state survey, as the maximum parameter for setting tuition for the 2009-2010 academic year, as presented in the executive summary with a vote of six in favor and four against. Regents DuVal, Mariucci, Martinez and DeConcini voted against the motion.

ACADEMIC AFFAIRS COMMITTEE (Continued) (Chair: Regent DeConcini)**Proposed New ABOR Policy 2-409, "Course Materials" (First Reading)** (Agenda Item #9)

Regent DeConcini stated that the Board was being asked to review the proposed new ABOR Policy 2-409 on course materials at postsecondary institutions, in compliance with A.R.S. §15-1891. The policy requires book publishers to provide pricing information to universities.

Dr. Mutchler stated that he understood that the AFC supports the lowering of the cost of instructional materials as long as there is no sacrifice in quality or rigor, but there is some concern about this policy and how it appears to put much of the onus of tracking down the information on the faculty.

Regent DeConcini stated that the Academic Affairs Committee reviewed this policy and was requesting that it move on to the Board with a minor change in the language in 2-409 C be changed from: "The university shall instruct faculty members or any other employees..." To: "The university shall work with faculty members and any other employees..."

Superintendent Horne stated that he had hoped that there would be some consideration for the universities taking into account the anomaly that university textbooks are very expensive and he believed that it was due to incentives. In the university market, the people who decide which book to get are not the people who experience the financial consequences and he hoped that at some point there is some consideration to finding ways to incentivize the use of supplements rather than new editions.

President Crow stated that it is not correct that faculty members generate revenue for themselves from course books, that is not allowed without the approval of third parties.

President Haeger stated that there is terminology in the Higher Education Reauthorization Act about what kinds of information must be provided to students. The Board should be certain that these requirements are in sync with what is being done in this policy.

Proposed New ABOR Policy 1-118, "Tribal Consultation" (First Reading) (Agenda Item #10)

Nancy Tribbensee joined the meeting for this presentation.

Regent DeConcini stated that the Board was being asked to review the proposed ABOR Policy 1-118 on tribal consultation by the universities, in response to Executive Order 2006-14.

Regent DeConcini stated that the Academic Affairs Committee had reviewed this item and asked that it be moved forward with some minor changes in the language that Nancy Tribbensee would discuss. Nancy Tribbensee stated that this was policy was being implemented at the request of the Governor's office. There were two changes imposed. Nancy stated that she was working with the Governor's office on how to determine who the "appropriate elected or appointed tribal officials" would be (ABOR Policy 1-118, B.). It is

anticipated that there will be some clarifying language added to this section. She further stated that in C, it was suggested that we add language that would impose good faith effort in addition to the language already in the policy stating: "To the fullest extent possible and to the best of the Board's ability..."

Regent Bulla asked if there were an idea of what issues would be impacted by this policy. Nancy stated that it was her belief that for matters that affected all students the same way that their opportunity for comment would be the same as for all students. She believes that this would address issues such as university presence on tribal land or use of tribal resources or research involving tribal members. Regent Bulla stated that he thought it would be helpful to draft language that was more specific on this issue.

COLLEGE OF MEDICINE

Operating Agreement for the University of Arizona College of Medicine – Phoenix, in partnership with Arizona State University between the University of Arizona and Arizona State University (Agenda Item #11)

Regent Boice stated that the Board was being requested to approve the Operating Agreement for the University of Arizona College of Medicine – Phoenix, in partnership with Arizona State University. He congratulated the University of Arizona and Arizona State University for working together to develop this agreement. He stated that this is a significant milestone for the partnership.

Provost Meredith Hay stated that many months of work went into this agreement. It articulates clearly the duties and responsibilities of each party.

President Shelton stated that this is just the next step. There is still a lot to do. The universities are moving quickly now.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the Operating Agreement for the University of Arizona College of Medicine - Phoenix, in partnership with Arizona State University between the University of Arizona and Arizona State University.

HUMAN RESOURCES COMMITTEE (Chair: Regent Bulla)

Proposed Revisions to ABOR Policy 6-103, "Salary Adjustments for Administrators who Return to Faculty Positions," and ABOR Policy 6-206, "Salaries" (First Reading) (Agenda Item #13)

Nancy Tribbensee joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review the proposed changes to ABOR Policy 6-103 and ABOR Policy 2-206 to conform the Board policy to current practice. The Human Resources Committee reviewed the proposed revisions at its September 3, 2008, meeting and recommended Board approval.

Nancy Tribbensee stated that these policies were being revised to conform to recent practice.

Proposed Revisions to ABOR Policy 6-912, “Access to or Disclosure of Personnel Records or Information” (First Reading) (Agenda Item #14)

Nancy Tribbensee joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review the proposed changes to Policy 6-912, which are proposed to implement changes in state statute that will require the universities and the Board to permit access to certain records of employee disciplinary actions under the Arizona public records law. The Human Resources Committee reviewed the proposed revisions at its September 3, 2008, meeting and recommended Board approval.

Regent Bulla stated that he believed this was a very troublesome change in the law.

Nancy Tribbensee stated that the new law goes into effect September 26, 2008. With regards to this change a provision has been added to provide notice to an employee if a request for information is received.

Proposed Revisions to ABOR Policy 6-603, “Optional Tax Shelter 403(b) Program” (First Reading) (Agenda Item #15)

Sandra Woodley joined the meeting for this presentation.

Regent Bulla stated that the Board was being asked to review the proposed changes to Policy 6-603. The revisions are proposed to implement changes related to new administrative rules for 403(b) plans required by the Internal Revenue Service (IRS). The Human Resources Committee reviewed the proposed revisions at its September 3, 2008, meeting and recommended Board approval.

Regent Bulla stated that AIG, which is one of the Board's investment advisors and is also the common remitter, is one of the entities involved in the federal bailout. As of today, the feeling is that AIG should be able to meet all of its obligations. If there is any update information, it will be distributed immediately.

Proposed Amendment to ABOR Policy 6-212, “College of Medicine Faculty” (Second Reading) (Agenda Item #16)

Regent Bulla stated that the Board was being asked to approve 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 University Physicians Healthcare. The Human Resources Committee reviewed these items at its August 6, 2008, meeting and recommended for Board approval.

Upon motion by Regent Bulla, seconded by Regent Leonard, the Board unanimously approved the proposed amendment to ABOR Policy 6-212 as shown in the executive summary.

PUBLIC AWARENESS COMMITTEE (Chair: Regent DuVal)

Solutions Through Higher Education (Agenda Item #12)

Andrea Smiley joined the meeting for this presentation.

Regent DuVal stated that he would be providing the Board with an update on Solutions Through Higher Education.

Regent DuVal welcomed and introduced Andres Smiley who recently joined the ABOR team as Associate Executive Director of Public Affairs, and External Relations. He stated that Andrea comes to the Board with a wealth of experience in developing and implementing comprehensive, strategic communications plans. Andres also has taught a capstone class to seniors and graduate students at Arizona State University's Walter Cronkite School of Journalism and Mass Communications.

Andrea stated that she was excited to be here and work with the ABOR team and all of her colleagues at the universities.

Regent DuVal stated that the Coalition event was held on September 11 and it was a tremendous success. He thanked the Regents who were able to attend the event as well as the three university presidents, whose presence were a major draw. He stated that Governor Romer's powerful keynote address; the engaging panel with the three presidents; and the premiere of the eye-opening *documentary 2 Million Minutes* provided support for the urgent need to raise the educational level of Arizonans and Americans.

The event was an opportunity not only to engage the current Coalition members, but also to expand the Coalition membership. The event garnered 154 new sign-ups, moving the Coalition closer to its goal of 4,000 members statewide by the end of the calendar year. In the continuing effort to build Coalition membership, the Coalition is reaching out to the university communities in addition to business and education leaders and citizens throughout the state.

Regent DuVal stated that last night he had the opportunity to meet with the Arizona Students Association Board, which will partner with the Coalition to engage greater numbers of students in the campaign.

The next phase of the Solutions campaign is critical. The Coalition has succeeded in awakening Arizonans across the state to the crisis we face in education and the critical role that higher education plays in ensuring economic prosperity for our state and nation. There is a need for more to join the ranks. The Coalition is working closely with Riester and the tri-university team on strategies to take the campaign to the next level.

RECESS

The meeting recessed at 2:51 p.m. and reconvened at 9:36 a.m., Friday, September 26, 2008. Regent Boice stated that the meeting would begin with a report from the President of Northern Arizona University.

REPORT FROM THE PRESIDENT OF NORTHERN ARIZONA UNIVERSITY

President Haeger presented a report on Arizona's Pathway to More Baccalaureate Degrees.

President Haeger referred to a discussion at yesterday's meeting where Regents stated that maybe the Board will need to look at a fundamentally different system considering all that is occurring in the world today. There have been many studies on this issue. Each report identified similar issues: Arizona lacks the ability to compete nationally and internationally; the pipeline in Arizona is very low; and if you look at the challenge to increase the number of baccalaureate degrees in Arizona, President Haeger stated that he did not believe our system was set up to do that.

President Haeger stated that there was no one solution to this problem. By 2025 the population in Arizona is projected to be around 10M. There are only three research institutions in Arizona on a corridor running north to south. Arizona has fewer institutions than other states of similar size. The cost per FTE for an education at a research institution is much higher than at a master/baccalaureate university.

Regent Mariucci asked why, if we are going to double the production of baccalaureate degrees in the strategic plan, do we assume the relationship with the research cost infrastructure is linear?

President Haeger stated that if the Regents want their research institutions to compete nationally and internationally, then that type of cost structure is necessary. Regent Mariucci stated if you had a separate strategic plan for the research function you wouldn't benchmark its funding or its performance against the number of FTE undergraduate students; you would benchmark it against things that were relative to research accountability.

Regent Bulla stated that the universities aren't necessarily spending \$20,000 per FTE in Arizona; the figures shown in the PowerPoint come from the Delta project and are the national average cost. He stated that he believes that we are going to find that our universities are more efficient as the drill down begins on the strategic plan.

President Haeger stated that the question is: "What is the solution?" There are a variety of different platforms that might be used: such as community colleges going to 4-year institutions, new branch campuses, new free-standing 4-year institutions or University Centers. Each of these possible solutions comes with their own problems. A solution could be found within the system - where the system expands slowly. President Haeger stated that more and more students, as costs go up, want to stay in their communities. If that is the future of higher education, then we are going to have to serve the state in a different manner.

President Haeger suggested the notion of a hybrid university which would be part of, for example, Northern Arizona University. For example, the agreement between Coconino Community College and NAU: a student entering at Coconino is also a student at NAU. The community college and NAU are will be recruiting together at the high schools. The students will receive tailored academic advising and career planning, they get NAU student IDs, they are on the NAU IT system and the idea is that they get moved on in a seamless fashion. If you could take that to the next step, the community college and the university become so entwined that the separation is invisible; transfer issues disappear, there are cost savings to the student because their first two years are at community college rates, etc. President Haeger stated that one of the problems is competition vs. cooperation between the community colleges and the universities. He further stated that he believes progress is being made on the cooperation side of this idea.

Regent McLendon stated that he believed we needed to let people know that this type of model is being worked on. It appears to be a good solution to a growing problem.

Regent Bulla stated that regardless of what it is the universities decide to do, the system needs to provide a quality education in a cost effective manner. He further stated that this is the type of information that will be in the Strategic Plan.

Regent DeConcini asked how the other universities feel about this type of a plan. President Shelton stated that the University of Arizona has programs in conjunction with Pima Community College. President Shelton thought it was a good program, but there are barriers such as getting more students when they first enroll at the community college to be thinking about a four-year degree and this is a greater challenge when you try to serve an area that is not in close proximity. President Crow stated that ASU has joint admission programs as well, but he agreed with President Shelton in that there seems to be an issue with moving the community college students to the university. The majority of students that attend community colleges seem to have no intention of going on to the university and it is difficult to change their mindset. President Crow stated that there are deeper problems and he believes they start in the high schools. Students that come out of the high schools are not prepared to attend college. President Crow stated that he felt part of the problem was that there are no state colleges. President Haeger stated that the advantage of building platforms is that it is an expand on demand model. One of the advantages of working with the community colleges is that you don't have to build a campus from scratch you already have some of the necessary structures.

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

Regent McLendon stated that this is election season and some business is being conducted at the legislature. The Ad Hoc Committee on Equity in University Funding will have its first meeting September 30, 2008.

The Legislative Affairs Committee will be meeting in early November, after the elections, to discuss the outcomes of the general election and preliminary issues for the legislative session. As has been the case in past years, the budget request will be a large part of the legislative agenda. As the Board prepares for the legislative session it is important that they

work to keep higher education as a top priority for the state. Even in tough economic times Arizona must keep moving forward and position itself to thrive when the economy turns around and higher education is a key to a thriving economy.

Regent DuVal stated that the Board discussed every year the necessity of holding the legislature accountable for their responsibilities to the students. He stated that he believed that the Board and the universities have acted responsibly in trying to keep the budget reasonable in light of the current financial crisis. Revenues in Arizona will improve in the future and he stated that the Board needs to "set the table" for making up for lost time. Systemic reform is part of this, Solutions is part of this, and productivity is a part of this - all part of making the case that when revenues return the Board and the universities have done the work required to make sure that the system is as productive and efficient as possible. The legislature needs to be reminded that we have done everything asked of us, but we will need to make up for lost time and revenue when the state's position improves.

CAPITAL COMMITTEE (Chair: Regent Calderon)

FY 2010-2012 Capital Improvement Plans (ASU, NAU, UA) (Agenda Item #17)

Rich Stanley (ASU), Jane Kuhn (NAU), Bob Smith (UA) and Lorenzo Martinez (CO) joined the meeting for this presentation.

Regent Calderón stated that the next order of business was the approval of Arizona State University, Northern Arizona University, and the University of Arizona's proposed FY 2010-2012 Capital Improvement Plans. In total, the first-year plans include 17 projects at an estimated cost of \$391.2 million, and building renewal formula calculations totaling \$91.6 million. State law requires these plans to be submitted to the Governor and the Legislature by October 15. The Capital Committee reviewed these plans at its September 3, 2008, meeting and recommended Board approval.

Arizona State University

The first year of the three-year plan includes ten projects totaling \$252.2 million, of which phase 2 of the SPEED Deferred Maintenance/Building Renewal project accounts for \$103.6 million. The plan also includes four additional projects to be financed through third-party agreements. The FY 2010 building renewal formula calculation equates to \$29.9 million for academic and support facilities.

Rich Stanley stated that the ASU plan is a combination of the emphasis on growth of Polytechnic, and the West and Downtown campuses with the continued repair and upgrade of all campuses but the focus on the Tempe campus. The SPEED programs are included.

Northern Arizona University

The first year of the three-year plan includes three projects totaling \$109 million. The FY 2010 building renewal formula calculation equates to \$12.4 million for academic and support facilities.

Jane Kuhn stated that the NAU first year plan is for the development and financing of a new 1000 bed residence hall project that will be done privately. Along with that NAU is looking at

a privately developed parking structure. Part of NAU's master plan has been to increase the density on campus. Surface parking lots are being replaced with parking structures on the outskirts of the campus. The plan addresses continued deferred maintenance, the renovation of Gammage, the development of a Native American Center and the development of a transportation spine.

University of Arizona

The first year of the three-year plan includes one project totaling \$30 million. The FY 2010 building renewal formula calculation equates to \$49.3 million for academic and support facilities.

Bob Smith highlighted the first year project of the \$30M parking structure which will provide approximately 1000-1500 spaces and will have some retail on the ground floor. As plans for this project progress the university will be looking at the possibility of third party financing and privatized development.

Regent DuVal asked about the parking structures. Regent DuVal asked if he was correct that the NAU parking structures were being privately developed, but NAU was financing and would own the structures. Jane Kuhn stated that NAU is trying to find a partner for the larger parking structure. The smaller parking structure will be financed by the university. Jane Kuhn stated that the south campus dorm would be privately funded and off the NAU books.

Upon motion by Regent Calderón, seconded by Regent Mariucci, the Board unanimously approved the FY 2010-2012 Capital Improvement Plans as submitted in the executive summary.

Regent Calderón stated that in addition to the benefits the SPEED initiative would provide to the university building system, the intent was also to provide a stimulus to the state's economy. He made clear the Board's support for stimulating the economy through the participation of local firms in capital projects, the hiring of Arizona labor and the purchasing of materials in this state, but also acknowledge the limitations on what can be required. He suggested the Board make a resolution stating that the Board will continue its efforts to stimulate the local economy through the development and maintenance of critical university capital infrastructure, to the extent allowable law. The other Board members agreed.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously resolved to require the contractors on capital projects have a veteran's hiring preference, and to continue its efforts to stimulate the local Arizona economy through the development and maintenance of critical university capital infrastructure, to the extent allowable by law.

Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects Phase 1a (ASU) (Agenda Item #18)

Rich Stanley and Lorenzo Martinez joined the meeting for this presentation.

Regent Calderón stated that Arizona State University was requesting combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Bundle Phase 1a projects totaling \$33 million, including the ability to shift

funding among projects as project scopes are further developed. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval.

Regent DuVal asked how fast these projects will be started. Rich Stanley stated that the projects that are proposed in this item can be started immediately. The university is awaiting Board approval and JCCR review.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved the Arizona State University request for combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Phase 1a Projects, as presented in the executive summary.

Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects (NAU) (Agenda Item #19)

Jane Kuhn, joined the meeting for this presentation.

Regent Calderón stated that Northern Arizona University was requesting combined Project Implementation Approval and Project Approval for the bundled list of Deferred Maintenance and Building Renewal SPEED projects totaling \$80 million, including the ability to shift funding among projects as project scopes are further developed. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommends Board approval.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved the Northern Arizona University request for combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects, as presented in the executive summary.

Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects (UA) (Agenda Item #20)

Bob Smith joined the meeting for this presentation.

Regent Calderón stated that the University of Arizona was requesting combined Project Implementation Approval and Project Approval for the bundled list of Deferred Maintenance and Building Renewal projects totaling \$68 million, including the ability to shift funding among projects as project scopes are further developed. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval.

Bob Smith stated that the university is prepared to start later this month on its building renewal renovation projects. The two new projects will start construction sometime in the fall of next year.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved the University of Arizona's request for combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects, as presented in the executive summary.

Regent Calderón stated that all of these projects have been submitted to the JCCR for review as required by law. Regent Calderón asked that the universities to work with Lorenzo Martinez at the Central Office to incorporate in future project write-ups the anticipated timelines for additional reviews or approvals that are required as well as when it is anticipated that the project will begin.

Joel Sideman stated that under statutory requirements JCCR reviews projects that require debt financing. At this time, the projects are listed on the agenda for information only and the signal that has been received is that the JCCR is not going to be reviewing the projects. It appears that there are some people on the committees who are concerned, that relative to the state of the economy, that are not sure that they want to move these projects forward. The Board's position is that the universities have proceeded based on the direction from the legislature.

President Crow stated that, at this time, the JCCR is not planning on reviewing the university projects. He stated that the Board needed to do whatever possible to keep these projects alive. If these projects are delayed, the Board will need to work with the universities as these projects are recosted, etc.

President Haeger stated that the universities have expended funds and the local contractors and design professionals have also expended funds to get these projects ready to move forward and the JCCR holding the projects up is going to cause problems.

Regent DeConcini asked if the Board should make a motion setting out the specifics of what needs to be done. The Board agreed.

Upon motion by Regent DeConcini, seconded by Regent Bulla, the Board unanimously passed the following resolution: RESOLVED, that the Arizona Board of Regents is respectfully requesting that the JCCR review the SPEED projects that are coming before it, as the universities have been directed by the legislature to do these projects and acting in good faith, have expended funds and believe it is important to move these projects forward and not expediting the projects will result in inflationary costs.

Articles of Incorporation and Bylaws of the University Hotel Corporation (UHC), and Authorization for UHC to Sell Tax-Exempt Bonds for the Purpose of Constructing a Hotel and Conference Center at the UA Science and Technology Park (UASTP) (UA)
(Agenda Item #21)

Bruce Wright and Lorenzo Martinez joined the meeting for this presentation.

Regent Calderón stated that the University of Arizona was requesting approval of the Articles of Incorporation and Bylaws of the University Hotel Corporation (UHC), and authorization for UHC to sell tax-exempt bonds to finance the construction of a hotel and conference center at the University of Arizona Science and Technology Park. The Capital Committee reviewed this item at its July 24, 2008 meeting and recommended Board approval.

Regent DeConcini stated that if the annual operating revenues are not sufficient to cover the debt service requirements, UHC will make up the difference by taking funds from the debt

reserve account. Does this mean there will be a reserve fund set aside? Bruce Wright responded that as part of the way the bonds are sold, there will be a requirement that the UHC will set aside a debt reserve.

Regent DeConcini asked who would be appointing the board member to this corporation. Bruce Wright responded the President Shelton will be appointing the board members. Regent DeConcini asked if there would be a member of the Board of Regents on the board of this corporation. Bruce Wright responded that there would be a Board of Regents member on the board.

Regent Bulla stated that the at the committee meetings, the pro formas were marginal at best. President Shelton agreed to be the insurer of last resort in case all else fails. President Shelton stated, for the record, that the University of Arizona is fully behind this project and will serve as the ultimate backup. He further stated that he does not foresee this happening, but he understands why the Board wants it on the record.

Regent Mariucci stated that it was very difficult for her to support this project. She stated that she understood that the state included any debt service in the attendant debt capacity calculations that relates to any asset for which we have ground a lease relationship to the ultimate user, owner or developer, etc. For her, that gives a different perspective to this project that when it first came to the Board. If this is the case, this project will count against our debt capacity limit.

Bruce Wright stated that there is an issue about whether these bonds were counted under the universities debt capacity since the research parks were separate and created by state statute. The research park and the hotel are nontraditional sources of funding to help the enterprise of the institution. This project should generate revenue that will be distributed to the university. The park plays a critical role in the commercialization of university based technology. He stated that he believed this hotel was integral to advancing the Science and Technology Park in reaching the objectives that have been set out for it. This is an important component of the universities mission.

Regent DeConcini stated that he has struggled with this project, but the president of the university has stated that this is an essential and a top-priority project. Regent DeConcini stated that he is prepared to support President Shelton on this matter.

Regent Boice believes this project will enhance the property adjacent to this hotel which will create funds for the university, it will enhance lease rates within the Science and Technology Park, and it will provide enhancement to the open ground that lies between the Tech Park and the project that is there.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board approved the University of Arizona's request for: (i) the Articles of Incorporation of the University Hotel Corporation, (ii) the Bylaws of the University Hotel Corporation, and (iii) authorization for the University Hotel Corporation to sell tax-exempt bonds to finance a hotel and conference center at the UA Science and Technology Park, as presented in the executive summary, with Regent Mariucci voting against the motion.

Project Approval for Interdisciplinary Science and Technology Building 4 (ASU)
(Agenda Item #22)

Rich Stanley and Lorenzo Martinez joined the meeting for this presentation.

Regent Calderón stated that Arizona State University was requesting Project Approval for the Interdisciplinary Science and Technology Building 4, a \$185 million, 293,000 square foot research facility to be financed with system revenue bonds. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval.

Regent DeConcini asked where Arizona State University was going to get the money to operate this building. Rich Stanley stated that those funds would be requested in the state operating budget. If funding from the state is not received, then the operating funds would come from indirect cost revenue which is made up of various funds that are received from grants that are to be used for things in addition such as providing space for research. Regent DeConcini stated that it was very important that the universities do their best to be sure that the university has the funds to maintain the projects that are being approved.

Regent Bulla stated that the debt service ratios were a concern to him. He stated that he believed that over the next few years the Board needs to come up with some management tool to look at the whole debt service ratio picture. Regent Boice asked how much debt was being retired annually. Carol Campbell stated that she believed it was \$40-50 million on average. Regent Boice stated that his point was the percentage does not always go up - the universities are retiring debt every year.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously approved Arizona State University's request for Project Approval for the Interdisciplinary Science and Technology Building 4, as presented in the executive summary.

Issuance of System Revenue Bonds for Financing of the Polytechnic Academic Complex (ASU) (Agenda Item #23)

Carol Campbell joined the meeting for this presentation.

Regent Calderón stated that Arizona State University was requesting authority to sell system revenue bonds, instead of previously approved Certificates of Participation, not to exceed an amount of \$105 million to finance the Polytechnic Academic Complex and related issuance costs, including execution of necessary agreements. The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval.

Carol Campbell stated that there are two types of bonds, system revenue bonds which are used primarily when university revenues are used to pay debt service and include a pledge on the future revenues of the university and certificates of participation which are used primarily when the university pledges the asset instead of the revenue stream, which is the case in this project.

She went on to state that the land at the Polytechnic campus was conveyed to the university with many deed restrictions, one of them being that any encumbrances placed on the

property need prior approval of the federal government. Approval from the federal government was received, but there were condition that would increase the cost of the Certificates of Participation. Therefore, the university has chosen to use System Revenue Bonds instead.

Carol Campbell also requested that the maximum interest rate for this item be increased to 6% because of the state of the economic market.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved Arizona State University's request for authority to issue system revenue bonds for the Polytechnic Academic Complex, as presented in the executive summary with the change that any SRBs will not exceed an overall yield of 6.00 percent per annum.

ADMINISTRATIVE BUSINESS

Revised Board Meeting Calendars for FY 2008-2009 and FY 2009-2010 (Agenda Item #26)

Regent Boice stated that the Board was being asked to approve the Revised Board Calendars for FY 2008-2009 and FY 2009-2010.

Upon motion by Regent Boice, seconded by Regent Calderón, the Board unanimously approved the Revised Board Meeting Calendars for FY 2008-2009 and FY 2009-2010.

Board Meeting Calendars for FY 2010-2011 and FY 2011-2012 (Agenda Item #27)

Regent Boice stated that the Board was being asked to approve the Board Calendars for FY 2010-2011 and FY 2011-2012.

Upon motion by Regent Boice, seconded by Regent Calderón, the Board unanimously approved the Board Calendars for FY 2010-2011 and FY 2011-2012.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

Dr. Mutchler reported that the AFC has been working very hard. The AFC met with the ASA to discuss items they could work on together. The AFC is working with the Solutions for Higher Education Campaign to increase membership. AFC has been attending various Committee meetings.

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 another exceptional meeting. He stated that the Board will not be returning to Northern Arizona University until June of next year.

ADJOURNMENT

The meeting adjourned at 11:30 a.m.

SUBMITTED BY:

Margaret L. Martin
Secretary to the Board

APPROVED BY:

Fred T. Boice
President