

BOARD OF REGENTS
BANKING COMMITTEE

November 11, 2003

The Banking Committee of the Board of Regents met on Tuesday, November 11, 2003, at the University of Northern Iowa, Cedar Falls.

Those present were:

Banking Committee members: Regents Amir Arbisser (chair), Mary Ellen Becker, Robert Downer, John Forsyth, David Neil and Owen Newlin.

Others in attendance were:

Board of Regents member Sue Nieland;

Institutional representatives: David Skorton, Doug True, Carol Senneff, Ann Madden Rice, Terry Johnson, Gregory Geoffroy, Ben Allen, Warren Madden, Tom Hill, Mark Chidister, Sheryl Rippke, Robert Koob, Tom Schellhardt, Gary Shontz, Bill Calhoun, Tim McKenna, Morris Mikkelsen, Justin Sell, Doug Jensen, Carla Kelley, Greg Davies, Jeanne Prickett, Jim Heuer, Dennis Thurman;

Barry Fick, Springsted, Inc.;

Ed Bittle, Ahlers law firm;

Board Office: Greg Nichols (arrived at 4:50 p.m.), Pamela Elliott, Joan Racki, Deb Hendrickson, Sheila Doyle, Andrea Anania, Dotti Hale, Elaine Newell, Barb Boose and Barb Briggie.

Regent Arbisser called the meeting to order at 4:00 p.m.

APPROVE MINUTES OF THE OCTOBER 2003 BANKING COMMITTEE MEETING.

Regent Arbisser asked for additions or corrections to the minutes. There were none.

MOTION:

Regent Downer moved to approve the minutes of the October 15, 2003, Banking Committee meeting. Regent Newlin seconded the motion.
MOTION CARRIED UNANIMOUSLY.

RESOLUTION FOR THE SALE AND AWARD OF \$14,060,000 TELECOMMUNICATIONS FACILITIES REVENUE BONDS, SERIES SUI 2003.

Vice President True presented the University of Iowa's request that bonds be sold to refund the outstanding principal of the 1995 Telecommunications Facilities Revenue Bonds, and to finance the purchase of telephone switching equipment.

Mr. Fick reported that the refunding of the outstanding bonds can be combined with the issuance of new bonds to finance the purchase of the telephone switching equipment, thereby reducing interest costs for the previously-borrowed and new funds. He stated that Standard & Poor's rated the bonds at AA- with a positive outlook; the University's bonds were previously rated AA- with a stable outlook. The difference between the outlooks means that, if trends continue at the University, there is a possibility that the bond rating will be upgraded.

Mr. Bittle stated that two resolutions were prepared for the bond sale. All documents are in order.

Regent Arbisser asked that at some time Mr. Fick set up a hypothetical bond issue and indicate what the different bond ratings mean and what the effect of the ratings would be on the interest rates. Mr. Fick said he would be pleased to do so.

MOTION:

Regent Becker moved to recommend that the Board adopt the following resolutions, subject to receipt of acceptable bids: (1) A Resolution providing for the sale and award of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance and securing the payment of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, for the purpose of refunding outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 1995, and defraying the costs of equipping telecommunications facilities for The State University of Iowa, paying the costs of issuance, and funding a reserve fund. Regent Downer seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

RESOLUTION FOR THE SALE AND AWARD OF \$13,280,000 UTILITY SYSTEM REVENUE BONDS, SERIES ISU 2003.

Vice President Madden presented Iowa State University's request to sell bonds to finance the Power Plant Turbine Generator #6 project which would replace a small, obsolete generator. He said there was a very good payback. The internal rate of return of 14.8 percent includes the estimated costs of borrowing.

Mr. Fick stated that he expected a positive market response to the bonds because of a relative lack of double tax-exempt paper in the state of Iowa. The bonds, which are rated only by Moody's, were rated at AA3 with a stable outlook which was a positive indication of where the bonds will trade. He noted that there are ongoing conversations with the rating agencies who are aware of any potential future bond sales.

Mr. Bittle stated that utility bond issues are structured somewhat differently than other Regent bonds. The bonds were sold initially as a variable rate issue and then converted to a fixed rate. Since the initial bonds were variable rate, the 1985 bonds and subsequent issues of parity bonds were issued pursuant to an indenture. This indenture governs the outstanding bonds and the issuance of parity bonds. The Series I.S.U. 2003 Utility System Revenue Bonds are being issued pursuant to the fourth supplemental indenture. When the outstanding bonds mature, the fourth supplemental indenture will become the operating document for the Series I.S.U. 2003 bonds. He noted that representatives of the University's business office and Wells Fargo have been involved in restructuring of the documents. When the 1999 bonds mature, the University will become the registrar, trustee and paying agent, which will save \$3,000 to \$4,000 annually in trustee fees. He stated that the documents were in order.

MOTION:

Regent Becker moved to recommend that the Board adopt the following resolutions, subject to receipt of acceptable bids: (1) A Resolution providing for the sale and award of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving the Fourth Supplemental Indenture securing the payment thereof. Regent Forsyth seconded the motion. MOTION CARRIED UNANIMOUSLY.

FINANCING FOR UNI PROPOSED EVENT COMPLEX.

Vice President Schellhardt began by presenting information on athletic activities taking place at the University of Northern Iowa this week (volleyball and football championships).

Vice President Schellhardt next addressed the activities that have taken place since October with regard to the proposed Event Complex. He said that, in October, C.H. Johnson Consulting recommended some revenue-enhancing options. If all of the options were included, the cost of the McLeod Center would have increased from \$19.5 million to \$23.1 million. As requested last month, University officials provided the updated business plan and financial plan to the Banking Committee members.

Vice President Schellhardt recapped the activities that have taken place since the October meeting, while expressing appreciation for the help of Regent staff, bond and legal counsel, and others. He stated that a meeting was held with City of Cedar Falls officials, and representatives of the University and Board Office to discuss the proposed City agreement. As a result of the meeting, it appeared that City officials would make the Board of Regents' necessary wording changes and deletions to the agreement. It was hoped that the \$500,000 loan would then be re-approved by the Cedar Falls City Council. He said a meeting also took place to discuss bonding and other concerns that were expressed in October.

Vice President Schellhardt stated that the C.H. Johnson Consulting had provided a letter addressing the 90 percent confidence in their projection as discussed at the October Banking Committee meeting. He said Board members had also received a bond amortization schedule for Options A and B prepared by Mr. Fick. Per discussion with the Attorney General's office, a determination was made that funds from the sale of the golf course can be used for the Arena. He stated that the Board's bond counsel had advised that use of the Field House Surplus Funds for the Arena would be an allowable expense under the bond covenants.

With regard to a question about parking lot revenues, Vice President Schellhardt reported that a shift in the location of some events from the UNI-Dome to the Arena will reduce Intercollegiate Athletics parking income by \$10,000 - \$15,000 per year since parking revenues from events in the Arena will be considered revenue of the Event Complex and not Intercollegiate Athletics.

Vice President Schellhardt presented a comparison of Options A and B, each of which incorporated design changes. He stated that Option A was presented as the preferred option of University of Northern Iowa officials. Option A is the \$19.5 million design proposal plus \$2.6 million in options which result from revenue-generating features of

the Johnson firm's recommendations. However, at this time, University officials requested to take off the "table" the recommendation of Option A, and propose "Option B with a twist", referred to as Option C. He stated that Option C was the \$19.5 million original design proposal plus \$683,000 for the retractable seats, catwalks and rigging. The only difference between Options B and C would be that Option C does not use any Field House Surplus Funds but, rather, uses enterprise revenue funds thereby increasing the amount to be borrowed. He distributed the revised schedule for Option C, noting that the only major change was to the revenue sources.

Regent Neil asked why University officials decided to recommend Option C. Vice President Schellhardt responded that there was some uncertainty in terms of the UNI-Dome and use of the Field House Surplus Funds. It was felt that the surplus funds should not be used.

Regent Neil asked for a fund-raising status report. Vice President Schellhardt responded that \$16.4 million had been raised to date, which was \$300,000 more than had been raised by the October meeting.

Regent Neil stated that, according to his calculations, the University was still about \$4 million short in the raising of money.

President Koob said it was his understanding that the University must have a combination of funds to total the project costs, and a business plan. It was University officials' understanding in July that the question was whether the University would be able to raise the additional amount that was proposed to come from the Foundation. It has been demonstrated that could be done. He said University officials were directed to have a third-party review of the business plan to make sure the proposed income sources were credible. The combination of those two activities has been done. By University officials' understanding of the Banking Committee's direction, they have raised those dollars.

Regent Neil expressed concern that University officials came forward with one plan, as reviewed in the feasibility study, and now recommended a different option. It was a moving target.

Vice President Schellhardt stated that University officials called members of the Banking Committee to talk about the business and financing plan. (His recollection was that University officials may have called Regent Neil's office.) In those discussions, there were conversations about use of the surplus funds and about C.H. Johnson Consulting's feasibility study. It became obvious that funds would be available from revenue of the enterprise's projected activity, proceeds from the sale of the golf course, and the \$17 million that will be raised by the Foundation. Those funds could be used for

Option B, and the shelling of the space for a kitchen could be included as an add alternate. He expressed confidence that the additional funds will be raised to build the kitchen and finish the alumni space. Therefore, Option C is Option B with a change; the surplus funds would not be used. The kitchen would be finished in the future.

Regent Becker asked if Option C was Option A with only the kitchen shell and storage but without the Field House surplus funds, about which there was concern on the part of the Banking Committee. Vice President Schellhardt said that was correct. Regent Becker stated that was not a huge change in detail.

Regent Forsyth expressed appreciation for what had been done because he had a concern about using the \$1.5 million in Field House Surplus Funds, which has been changed. He also appreciated the follow up from the telephone conversation which resulted in the subsequent letter about the 90 percent probability, which is subject to the accuracy projections in the letter. The letter indicated the projections were made under a clearly-stated set of assumptions related to the macro economy, management policies and practices, building program, hotel development assumptions, and political considerations. The actual results will be impacted if any of the assumptions change over time. Regent Forsyth stated the assumptions had likely changed since the letter was written.

Regent Forsyth stated that his concerns had nothing to do with President Koob's leadership. Perhaps his concerns were related to the timing of his appointment to the Board of Regents since the project has been in the development stages for the better part of a decade.

Regent Forsyth said he wished to discuss the Arena project in conjunction with the next agenda item about next year's schedule for the issuance of bonds and potential capital expenditures. He stated that the Regents are fiduciaries of the entire system, not just the University of Northern Iowa.

Regent Forsyth stated that the context when planning for this project began in the mid-1990s and today's context are tremendously different. He referred to the most-recent 2-1/2 percent appropriation cut, on top of the previous cuts, and said state appropriations are now less than 50 percent of the universities' general fund revenue and there was no end in sight to the cuts. State appropriations funding of the institutions, which peaked in 2001, is down \$103 million to nearly 1997 levels. He said there was no fault of the University and President Koob has done everything that has been asked.

Regent Forsyth stated that the current bond indebtedness of the three universities is \$630 million, of which \$100 million is for the University of Northern Iowa. He referred to the proposed bond issuance schedule for calendar year 2004, which totals \$122 million,

and expressed concern about the anticipated additional debt to be incurred by the universities, and said the aggregate did not make sense with the state of the economy in Iowa. He said the members had been informed that there would be no impact on the universities' existing credit ratings from the proposed calendar year 2004 bond sales.

Regent Forsyth stated that the key to excellence is people, and buildings are seldom the key to success. He said this project was not the key to success for the University of Northern Iowa, which is an outstanding institution. The University's motto of "Students First" really means something to the University. Of the three Regent universities' rankings of faculty salaries relative to their peers, the University of Northern Iowa's is the best.

Regent Forsyth stated there are some problems at the University of Northern Iowa, one of which is the inelasticity of tuition. Also, enrollments declined the last two years.

President Koob noted that was part of a planned decline on the part of the University.

Regent Forsyth referred to the University of Northern Iowa's revenue and stated the Regents have granted University officials the flexibility to increase the number of out-of-state students and to increase grants and contracts activities to help with revenues as a bridging strategy.

Regent Forsyth said it was in that context that he considers the Arena. He does not see the project as core to the academic mission or key to the student experience at the University of Northern Iowa. He stated that University of Northern Iowa officials had related to him the project's history, which he related to the Banking Committee members.

With regard to questions he asked about the athletic budget, Regent Forsyth said 70 percent of the revenues come from the University's general fund and student fees.

Regent Forsyth acknowledged that the Foundation has stepped up in a major way. He expressed his belief that flexibility to help bridge issues in the future is reduced because almost \$1 million of unrestricted Foundation funds are no longer available since they have now been pledged to this project.

Regent Forsyth questioned what University department is going to be responsible for managing the Arena and if the University has the expertise to operate the Arena. As he has spoken with the University of Northern Iowa's colleagues at the University of Iowa and Iowa State University, he has been told it is a very difficult undertaking.

President Koob stated that, as the University of Northern Iowa has become more privatized, University officials have to seek alternate sources of income. He said the Arena was originally planned as an athletics complex. It evolved into an event center because of the enormous interest in economic development in the Cedar River Valley. He said that interest had expressed itself in the increasing number of events that have occurred at the University under the direction of Justin Sell, the Associate Athletic Director. Mr. Sell is adept at bringing events to the University and in managing them well. Additionally, the state has invested in Event Complexes across Iowa, particularly through the Vision Iowa Fund, on the assumption that doing so would be good for the people of Iowa, and would create an income stream. He said the University of Northern Iowa has put together private funds, not state funds, to achieve the necessary level of investment. The project creates economic development for the community and for the University.

President Koob stated that he had no misgivings or absence of confidence that the University will be able to manage the Arena effectively and profitably. He said the project is important to the University's student mission because it creates spirit. The University of Northern Iowa has a very strong sense of community. The Gallagher-Bluedorn Performing Arts Center on the University campus has been tremendously successful.

Regent Forsyth expressed his belief that the project is good for the community and there is much evidence that there is an economic multiplier. He stated that he had said the project would be good for the University, not that it was a bad idea. His concern was where the state is in its existence as a state, where we are as Regental institutions, and what is in the best interest of the Regent system. It was his judgment that the size and scope of this project and the current funding of the project are not in the Regent institutions' best interest. For that reason, he would vote "no."

Regent Becker stated that she had a different perspective of the project than what was expressed by Regent Forsyth. She said she would feel differently if the building were primarily funded with dollars that could be used to pay faculty salaries. However, the University has \$16 million which is targeted for this project. Those funds will not go elsewhere in the University if they are not used for this project. She acknowledged that the undesignated gifts and the golf course proceeds could arguably go for other purposes. In tough economic times, people have contributed funds to the University for the Arena. Funds are not being taken from the academic side of the University. To give up funds that would be very good culturally for the University and the community was unwise. She said it would be short-sighted to not approve this project. She was more confident in approving the project now that the outside consultant had indicated a belief that the Arena can be self-supporting. The consultants were paid to perform a feasibility study and she questioned why the consultant's recommendation would not be followed.

She expressed support for Option C and suggested that everything should not be taken away because of the cut in state funding.

President Newlin expressed appreciation for the changes that had been made, particularly with regard to use of the Field House surplus fund. He then said he would like further confirmation relative to the \$500,000 loan from the City of Cedar Falls and that all of the onerous parts of the agreement will be removed.

Vice President Schellhardt stated that, in talking with City officials, they indicated their willingness to make the Board's required changes. He said the City Council may not agree to those changes, however. If the Council does not agree, the University has a fall-back plan so it would not have to accept any of the onerous language.

Regent Downer indicated his support of the project. He said he agreed with many of the facts that had been recited by Regent Forsyth, noting, however, that his conclusion was different than that of Regent Forsyth. Clearly, the members of the Board are fiduciaries. He believes it would not be sound exercising of their fiduciary responsibilities to relinquish \$16-17 million in pledges for the facility. Although the Arena is probably not the institution's top priority, he stated this was a responsible use of the funds and was a responsible project to be pursued by the University and the Board. He expressed appreciation for Vice President Schellhardt's recitation of the numbers of people in the near future who will be involved with activities in the UNI-Dome. He said the UNI-Dome has been a very important facility in the life of the University and in student recruitment for the University. He said the role of the UNI-Dome will only be enhanced by the proposed Arena.

As pointed out in one of the reports, Regent Downer stated that the University of Northern Iowa is the only university in its conference without a dedicated basketball arena. The funds raised for this facility do not detract from the direct educational mission of the institution. He pointed out that the \$17 million pledged for this facility is not the most significant part of the fund-raising drive of which it is a part. He said the most significant component of the fund raising is for scholarships, which is a most important objective for all of the institutions.

While concerns had been expressed regarding the possible symbolism of the project for the legislature, Regent Downer stated that the rejection of funds raised privately would have a far more chilling effect on the relationship of the University with its alumni and friends. He referred to statistics which have been presented in the last two months with respect to tuition, and said private support of the institutions over the period of time covered in the materials had increased from approximately 1.8 percent to 7.2 percent of funding available for the institutions. While that is not a large portion relative to tuition or

state appropriations, he said it was an increasingly significant element of institutional funding.

As has been mentioned at other Banking Committee meetings, Regent Downer stated there is the additional factor of the climate that exists with regard to interest rates and construction costs. He said it was his conclusion that all of the factors that are directly related to this project point toward the project being meritorious.

Regent Forsyth stated that credibility and integrity with donors is important. He acknowledged that the fund raising for this project is a component of a broader campaign. If a university were to return his funds to him with an indication that the intended use of the funds was no longer considered appropriate, he said he would not be offended by that message.

Regent Neil stated that if University officials called his office to discuss the proposed Option C, he did not receive the message. He then stated that he approached the project from a different direction. He said the real mission of the University is education. The University general fund provides over \$5 million into the athletic budget and he considered this project to be related to athletics. The general public and politicians do not understand this. Politics is about perception and the perception is that the Regents do not really care. The Regents are perceived as being willing to go ahead and spend money for athletics. The perception of this will provide another reason for the legislature not to fund the Regents salary bill and its direct appropriations. The timing was poor for this kind of venture. He believes the project could easily be delayed until next June. For that reason, he said he would oppose the project. Although he hopes the project is very successful, he said it does not fit the times in which we are living.

Vice President Calhoun asked to respond to Regent Forsyth's comment about going back to the donors who have so generously donated to this project. He stated that 70 to 75 percent of the support for this project does not come from University of Northern Iowa graduates but, rather, from residents of the Cedar Valley. He does not believe those same residents would be receptive to a return visit encouraging that their gifts be used for the academic enterprise when the gifts were given with the understanding that the funds would be used, much like was done with the Performing Arts Center, to make this a better community in which to live.

Athletic Director Hartzell asked that the Banking Committee members have some confidence in University of Northern Iowa officials involved in this project. He said their mantra is to outperform their resources. He would bet every penny he has that this enterprise will make money and will be successful because those who are involved know what they are doing. A second point he addressed was how the University

educates and coaches young people. He stated that it was not right to say the building will not be part of the University's educational experience.

Regent Arbisser responded that the comments made by the Banking Committee members were not criticism of the staff, students or goals. The comments were made in sensitivity to the times.

MOTION: Regent Becker moved to approve the Event Complex business and financing plan Option C with a \$20,183,199 project budget. Regent Downer seconded the motion. MOTION CARRIED WITH REGENTS FORSYTH AND NEIL VOTING "NO".

BOND ISSUANCE CALENDAR – CALENDAR YEAR 2004.

Associate Director Racki presented the proposed bond issuance schedule for 2004. She stated the schedule was a planning guide and did not include bonds that would require legislative authorization. The schedule also did not include refundings which may be possible should low interest rates continue. She emphasized that approval of the schedule does not indicate that the Board Office has reviewed or recommended approval of all projects to be financed from the proposed sales or that the Board will approve the projects and the bond sale amounts.

Regent Downer asked if Messrs. Fick or Bittle wished to speculate about interest rates over the next calendar year. Mr. Fick responded that the continued, low-level interest rates have been a surprise to everyone. He stated that the most recent comments of the Federal Reserve indicate there is room to keep rates at a relatively low level. How long those low rates will continue is unknown. He was not aware of any significant economic activities for the first quarter of 2004 that would cause significant changes in interest rates. More likely than not, interest rates will trend upwards during calendar year 2004 but the magnitude of the increase was unknown. He stated that increases in tax-exempt bond rates tend to lag compared to taxable bond rates.

MOTION: Regent Newlin moved to recommend that the Board establish a schedule for the issuance of bonds for calendar year 2004, as presented. Regent Downer seconded the motion. MOTION CARRIED WITH REGENT FORSYTH ABSTAINING.

EXTERNAL AUDIT REPORTS – REVENUE BOND FUNDS, SUI.

Vice President True offered to answer questions related to the University of Iowa's revenue bond funds audit reports. There were none.

ACTION: Regent Arbisser stated the Banking Committee received the following University of Iowa Revenue Bond Fund Audit Reports for the fiscal year ended June 30, 2003, by general consent: (1) Academic Building; (2) Athletics Facilities; (3) Center for University Advancement; (4) Department of Residence; (5) Iowa Memorial Union; (6) Parking System; (7) Recreation Building; (8) Student Health Facility; (9) Telecommunications Facilities; (10) Utility System.

EXTERNAL AUDIT REPORTS – REVENUE BOND FUNDS, UNI.

Mr. Shontz said the four audits came back without any management letters and without any findings.

MOTION: Regent Neil moved to receive the following University of Northern Iowa Revenue Bond Fund Audit Reports for the fiscal year ended June 30, 2003: (1) Academic Building, (2) Field House, (3) Residence System (Dormitory), and (4) Student Union. Regent Downer seconded the motion.
MOTION CARRIED UNANIMOUSLY.

INTERNAL AUDIT REPORTS.

Regent Arbisser referred to the University of Northern Iowa internal audit reports. He noted that one report was identified as being of a "department", without identifying the specific department. He said the reason for identifying it as "department" is because it is a very small department and disclosure would be too personal, perhaps, for some of the individuals involved. He then recognized Director Elliott.

Director Elliott stated that a number of the internal audit reports were presented this month after having been deferred from Banking Committee agendas over the last couple of months. She said all three internal auditors were present to report on their audits.

Director Senneff stated there were a couple of special projects presented for the University of Iowa that are outside the realm of a traditional audit. She said she wished to provide the Banking Committee members with an update on the special projects being undertaken jointly with Iowa State University and the University of Northern Iowa with regard to internal controls for cash handling. The first meeting, attended by 26 people, took place at the University of Iowa. The second meeting, which was not attended by as many people, was held at the University of Northern Iowa. The final session, to be held at Iowa State University, will take place during the first part of January. On the following day, University of Iowa Controller Johnson and one of the accounting managers from the Hospital will meet with the clinical leadership group to discuss running a pilot program for cash management in the Hospital for people who have not worked with cash previously. When representatives of the three universities meet in January, they will compare notes from the project and finalize the project for the three institutions. She hoped that, eventually, there will be a training program on the Web.

Regent Arbisser asked for a brief report on the information technology effort.

Director Senneff stated that the information technology security audit was undertaken at the University of Iowa to look at security throughout the University, particularly in light of the decentralized organization and the many areas of information technology development throughout the university. The internal auditors helped in identifying the specific organizational issues of internal control weaknesses and potential security problems. There were a number of areas where improvements could be made to increase the University's ability to protect data. She said that information was compiled for the University as a whole to enhance information technology security. She reported that the information technology groups took some immediate action. A number of teams are working on various aspects of security.

Regent Downer expressed appreciation for the effort that had gone into closing many of the outstanding audits.

Regent Forsyth expressed appreciation for the efforts related to cash handling coordination between the campuses. He then commended the Hospital leadership and President Skorton on the "clean" audit of the Hospital hazardous materials. He noted that many process improvements are taking place and said his company has found it helpful to involve the audit function in the original process design. He encouraged all of the institutions to do so, as well, to make sure all the checks and balances are in place.

Regent Forsyth asked if the universities experience difficulty in hiring the expertise needed for information technology auditing. Director Senneff responded that her office has been working diligently for the last several years to develop the expertise internally.

Training has taken place and there has been great cooperation from the University's information technology groups both at the Hospital and the University.

Regent Forsyth encouraged cross-campus institutional collaboration in the area of information technology internal auditing because it is very complex. He said one institution might have a certain kind of expertise and another might have another kind of expertise. He stated that sharing best practices across the campuses is preferable to cutting faculty positions.

Regent Arbisser referred to the issue of contract nursing at the University of Iowa Hospitals and Clinics, and asked if there is a large discrepancy in the expenditures for contract nurses and full-time nurses. Associate Director Rice responded that the cost of contract nurses has declined as some of the contracts have been renegotiated. However, there is still a sizeable difference in the costs.

Director Rippke presented a summary of Iowa State University's two original internal audit reports and two follow-up reports. She then addressed the issue of information technology auditing. She stated that the University has a "home-grown" information technology auditor whose expertise has been developed over the last year and one-half. The University's information technology auditor has gained the respect of her colleagues in the University's information technology department. The auditor is regularly included in discussions about the feasibility of a new system, tweaking an old system, and adding web applications, for example. Therefore, the internal audit office is very much a part of information technology issues as they are happening.

Director Rippke next addressed the conflict of interest audit report. She said the effort brought together some very different and high-level units of the University which had not been effectively working together with regard to conflict of interest. The effort provided some connectivity to better assure that the University is dealing appropriately with its conflict of interest issues.

Director Rippke stated that Iowa State University's internal audit office had received many requests for its services, which indicated that many on campus are coming to realize the office is a resource.

Operations Auditor McKenna presented the University of Northern Iowa's two original audit reports and one follow-up report. He noted that Internal Auditor Kelley is working with the Department of Conference and Event Services on cost recovery.

ACTION: Regent Arbisser stated the Banking Committee received the internal audit reports, by general consent.

ADJOURNMENT.

Regent Arbisser asked if there was any additional matters to come before the Banking Committee.

President Skorton referred to Regent Forsyth's earlier comments about institutional cooperation. He said the cash handling activity was a great example and he believes such cooperation and collaboration should be fostered in other areas. He encouraged the use of that same process for sharing best practices.

The meeting of the Regents Banking Committee adjourned at 5:49 p.m. on November 11, 2003.



Pamela M. Elliott
Director, Business and Finance



Gregory S. Nichols
Executive Director