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Austin, Texas

Alex M. Cranberg, Chairman

Ernest Aliseda

R. Steven Hicks

Wm. Eugene Powell

Robert L. Stillwell

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10. U. T. Medical Branch - Galveston: Jennie Sealy Replacement Hospital - Amendment of the FY 2015-2020 Capital Improvement Program to revise funding; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)	1:25 p.m. Action Mr. O'Donnell	Action	315
Adjourn	1:30 p.m.		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Progress report of the Task Force on Facility Planning for the 21st Century

REPORT

As Co-Chairmen of the Task Force on Facility Planning for the 21st Century, Associate Vice Chancellor Michael O'Donnell and Mr. Stephen Harris, Director of Facilities Space Initiatives, will provide an update on the activities of the Task Force.

BACKGROUND INFORMATION

On November 15, 2012, former Board Chairman Powell recommended the creation of the Task Force on Academic and Facility Planning for the 21st Century as a joint task force of the Facilities Planning and Construction Committee and the Academic Affairs Committee to prepare recommendations regarding the best metrics for use in the design and planning process for academic infrastructure support for universities.

On December 12, 2013, Regent Cranberg and U. T. Dallas President Daniel as Co-Chairmen of the Task Force on Engineering Education for Texas in the 21st Century recommended the transition from the Task Force on Academic and Facility Planning for the 21st Century to the formation and kick-off of the Task Force on Facility Planning for the 21st Century, which would address four primary study areas:

- Planning Considerations for the 21st Century Campus
- Optimal Use of Existing and Future Space
- Facility Construction Cost Optimization
- Consideration of Alternate Delivery Methodologies

3. U. T. Austin: Jackson Geological Sciences Building HVAC and Electrical Renovation - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the Jackson Geological Sciences Building HVAC and Electrical Renovation project at U. T. Austin as follows:

Project No.: 102-855

Institutionally Managed: Yes

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: August 2015

Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Designated Funds ¹	\$5,000,000
	Gifts	\$2,000,000
		\$7,000,000

Funding Note: ¹ Designated Funds from Designated Tuition

- a. approve a total project cost of \$7,000,000 with funding of \$5,000,000 from Designated Funds and \$2,000,000 from Gifts;
- b. appropriate funds; and
- c. authorize U. T. Austin to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

This project will replace original HVAC and electrical equipment in portions of the John A. and Katherine G. Jackson Geological Sciences Building that were constructed in 1967. The equipment to be replaced will include air handlers, pumps, heating system, controls, exhaust fan, electrical switch gear and panel boards, and air terminal units. This work will result in code compliant HVAC and electrical systems within the building.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date. It has been determined that this project would best be managed by U. T. Austin Facility Management personnel, who have the experience and capability to manage all aspects of the work, as the project requires extensive coordination with the building occupants.

4. U. T. Austin: Medical District Utility System Infrastructure - Approval of design development; appropriation and authorization of expenditure of funds; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Medical District Utility System Infrastructure project at U. T. Austin as follows:

Project No.: 102-783

Institutionally Managed: Yes

Project Delivery Method: Design-Build

Substantial Completion Date: July 2016

Total Project Cost:

<u>Source</u>	<u>Current</u>
Revenue Financing System Bond Proceeds ¹	\$87,589,000

Funding Note: ¹ Revenue Financing System (RFS) debt to be repaid from incremental revenues from utilities being charged to the Medical District

Investment Metric: • Install systems necessary to power, heat, and cool the Medical District

- a. approve design development plans;
- b. appropriate and authorize expenditure of funding in the amount of \$63,589,000 from RFS Bond Proceeds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$63,589,000.

BACKGROUND INFORMATION

Debt Service

The \$63,589,000 in aggregate RFS debt will be repaid from utility rates. Annual debt service on the \$63,589,000 RFS debt is expected to be \$4,100,000. Utility rates will be set based on actual costs, and the project is expected to have sufficient coverage for debt service over the life of the project averaging 1.6 times over a 30-year period.

Previous Board Actions

On August 22, 2013, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$96,000,000 with funding from RFS Bond Proceeds, and \$24,000,000 was appropriated and authorized for expenditure for equipment relating to the project. On March 7, 2014, the Chancellor approved the decrease of \$8,411,000 in total project cost to \$87,589,000.

Project Description

U. T. Austin seeks to construct a new thermal utility plant to support the new U. T. Austin Medical District. The project will add a primary 60 MMBTU (Million British Thermal Units) hot water heating system, a 53 MMBTU secondary hot water heating system, a 5.6 million gallon chilled water thermal energy storage tank, and a 15,000 ton chilled water plant. Additionally, space will be included to provide for the addition of chillers in the future, as the Medical School District expands in subsequent phases.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Utility Systems: 20-30 years
- Interior Construction: 20-30 years

The interior and exterior appearance and finish are simple and utilitarian as appropriate for a utility plant. The mechanical and electrical equipment lay-out is designed with the sufficient space for future capacity.

5. U. T. Dallas: Callier Richardson Expansion - Amendment of the FY 2015-2020 Capital Improvement Program to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Callier Richardson Expansion project at U. T. Dallas as follows:

Project No.: 302-764

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: June 2016

Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds ¹	\$15,000,000	\$15,000,000
	Gifts	\$ 5,000,000	\$ 2,500,000
	Permanent University Funds Bond Proceeds ²	\$ 0	\$ 2,500,000
		\$20,000,000	\$20,000,000

Funding Notes:

¹ Revenue Financing System (RFS) debt to be repaid from Designated Tuition

² Permanent University Fund (PUF) from previously approved U. T. System Research Incentive Program (UTRIP) funding

Investment Metrics:

- Directly support the University's Strategic Plan Imperative of adding 5,000 full-time equivalent students, creating a total student population of 21,000
- Attract outstanding tenure-track faculty to support the University's Strategic Plan Imperative of growing to a total of 610 tenure-track faculty
- Attract research funding in support of the University's Strategic Plan Imperative of achieving over \$100 million per year in research expenditures

- a. amend the FY 2015-2020 Capital Improvement Program (CIP) to include PUF Bond Proceeds as a funding source;
- b. approve design development plans;
- c. appropriate and authorize expenditure of funding in the amount of \$20,000,000 with funding of \$15,000,000 from RFS Bond Proceeds, \$2,500,000 from Gifts, and \$2,500,000 from PUF Bond Proceeds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$15,000,000.

BACKGROUND INFORMATION

Debt Service

The \$15,000,000 in aggregate RFS debt will be repaid from Designated Tuition. Annual debt service on the \$15,000,000 Revenue Financing System debt is expected to be \$976,000. The debt service coverage for the institution is expected to be at least 1.4 times and average 2.3 times over FY 2015-2020. Not all of the gift funding authorized for expenditure is fully collected or committed at this time; however, the Office of Finance has determined that the institution has sufficient local funds to cover any shortfall.

Previous Board Action

On February 14, 2013, the project was included in the CIP with a total project cost of \$20,000,000 with funding of \$15,000,000 from RFS Bond Proceeds and \$5,000,000 from Gifts.

Project Description

This project will construct approximately 49,000 gross square feet (GSF) as a new addition to the existing Callier Center for Communication Disorders facility and will include approximately 4,000 GSF of renovation to the existing building to accommodate the rapid student growth in the School of Behavioral and Brain Sciences. This building addition will house state-of-the-art clinical facilities to train the next generation of practitioners and researchers in speech language pathology, audiology, and early childhood disorders such as autism, as well as provide offices, laboratories, and classrooms for new faculty to meet the growing enrollment in the school.

This proposed project will significantly increase U. T. Dallas' capacity to develop new research initiatives in brain bases of speech and language disorders and create new technologies for the treatment of hearing and speech problems. It will also expand the range and quality of student training, as well as provide important outreach services to the community. Total enrollment in the School of Behavioral and Brain Sciences (School) increased from 1,345 in 2006 to 2,154 students currently, with projected student enrollment of 2,750 by 2017. The School currently consists of 42 tenured/tenure track faculty members, nine senior lecturers, 61 teaching/research assistants, and two staff members.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 20-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

6. U. T. Tyler: Music Building Addition - Approval of design development; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. System Board of Regents approve the recommendations for the Music Building Addition project at U. T. Tyler as follows:

Project No.: 802-838

Institutionally Managed: Yes

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2015

Total Project Cost:

	<u>Source:</u>	<u>Current</u>
	Designated Funds ¹	\$6,500,000

Funding Note: ¹ Designated Funds from Excess University Reserves

Investment Metric: • Increase enrollment by 180 students by 2016

a. approve design development plans; and

b. appropriate funds and authorize expenditure of \$6,500,000 with funding from Designated Funds.

BACKGROUND INFORMATION

Previous Board Action

On May 15, 2014, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$6,500,000 with funding from Designated Funds.

Project Description

The project will consist of an approximately 15,681 gross square foot (GSF) addition to the R. Don Cowan Fine and Performing Arts Center to meet the academic needs of the music program. The building will provide space for a band/orchestra rehearsal room, a choir rehearsal room, multiple one-on-one teaching studios, music library, faculty offices, and secure storage space for musical instruments. Also, approximately 1,285 GSF will be renovated in adjacent existing space.

Enrollment in the School of Performing Arts has seen a 69% increase in music majors in the past six years and a 48% increase in student credit hours in music and theater courses in the last four years. The National Association of Schools of Music cited inadequate space issues in recent accreditation reviews, and this building addition would resolve the deficit.

Basis of Design

The planned building life expectancy includes the follow elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan.

7. U. T. System: U. T. System Administration Replacement Office Building - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve the recommendations for the U. T. System Administration Replacement Office Building project at U. T. System as follows:

Project No.: 101-690

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: Early 2017

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds ¹	\$102,417,000	\$133,100,000

Funding Note: ¹ Revenue Financing System (RFS) debt to be repaid from the Available University Fund and lease income

Investment Metrics:

- Reduce the financial operating expenses of the current U. T. System complex by \$2-\$6 million annually
- Increase savings of Net Present Value (NPV) to \$30-\$90 million over 33 years

- a. amend the FY 2015-2020 Capital Improvement Program (CIP) to increase the total project cost from \$102,417,000 to \$133,100,000;
- b. approve design development plans;
- c. appropriate and authorize expenditure of \$133,100,000 from RFS Bond Proceeds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. System, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$133,100,000.

BACKGROUND INFORMATION

Debt Service

The \$133,100,000 in aggregate Revenue Financing System (RFS) debt will be repaid from the Available University Fund and lease income. Annual debt service on the \$133,100,000 Revenue Financing System debt is expected to be \$7,697,186.

Previous Board Action

On November 15, 2012, the project was included in the CIP with a total project cost of \$102,417,000 with funding from RFS Bond Proceeds.

Project Description

U. T. System seeks to consolidate its offices from five buildings in the downtown area into one building. A task force comprised of U. T. System officials has extensively studied the feasibility of different options and determined that constructing a single replacement facility with aboveground parking is the best option. This more efficient facility will lower the cost per square foot of construction and is projected to save \$2-\$6 million annually and generate net present value savings of over \$30-\$90 million over the next 30 years. These savings will be directed toward programs to support student success. The building will be located on U. T. System-owned land north of Seventh Street in downtown Austin to maintain proximity to U. T. Austin, the Texas Capitol, and U. T. System employee residences.

The original project called for a 15-story building with 258,500 gross square feet (GSF) and approximately 550 parking spaces. The proposed increase will expand the building to a 19-level structure (plus one level below ground) of 342,200 GSF and approximately 760 parking spaces. The additional two floors of office space and two floors of parking will allow U. T. System to lease approximately 30% of the building to outside tenants, generating additional revenue in a very strong rental market. The additional revenue will increase the total projected net present value savings by over \$10 million.

The building will have a modern board room adapted for videoconferencing, U. T. System office and meeting space, as well as central conference and eating spaces, tenant leasable space, and limited retail space.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 30-50 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other commercial office buildings. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

8. U. T. Austin: McDonald Observatory Fire Life Safety and Infrastructure Upgrades - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the McDonald Observatory Fire Life Safety and Infrastructure Upgrades project at U. T. Austin as follows:

Project No.: 102-649

Institutionally Managed: Yes

Project Delivery Method: Design-Build

Substantial Completion Date: October 2015

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds ¹	\$ 0	\$ 50,000
	Available University Funds	\$5,500,000	\$5,500,000
	Designated Funds ²	\$1,000,000	\$2,550,000
		\$6,500,000	\$8,100,000

Funding Notes: ¹ Permanent University Fund (PUF) includes \$48,000 from FY 12 High Priority Fire and Life Safety Project No. 102-639 and \$2,000 from FY 13 LERR (Library, Equipment, Repair and Renovation) Project No. 102-732
² Designated Funds from Designated Tuition

- a. amend the FY 2015-2020 Capital Improvement Program (CIP) to increase the total project cost from \$6,500,000 to \$8,100,000;
- b. revise funding sources to include PUF Bond Proceeds; and
- c. appropriate and authorize expenditure of \$50,000 from PUF Bond Proceeds and an additional \$1,550,000 from Designated Funds.

BACKGROUND INFORMATION

Previous Board Actions

On November 10, 2011, the project was added to the CIP with a total project cost of \$6,500,000 with funding of \$5,500,000 from the Available University Fund and \$1,000,000 from Designated Funds. On December 15, 2011, the President approved the design development plans and authorized expenditure of funds.

Project Description

The project consists of three phases, all to be funded under the proposed Total Project Cost. Phase 1 consists of Wastewater Treatment Plant upgrades. It includes decommissioning of the upper treatment plant and refurbishing of the lower treatment plant to bring the entire wastewater system into Texas Council on Environmental Quality (TCEQ) compliance.

Phase 2 consists of the design and construction of a new potable water well on McDonald Observatory property for the purpose of providing a more reliable groundwater source for the campus. The well will also provide the required volume of water to fight a potential fire on the mountain.

Phase 3 consists of the design and construction of a code compliant fire protection network of water storage tanks, water pumps, and water lines throughout the McDonald Observatory campus to provide the capability to fight a fire at any time and at any location. Phase 2 and Phase 3 are the result of an in-depth study commissioned by U. T. Austin in 2010 to develop a comprehensive plan to bring the fire protection infrastructure up to code requirements.

The original upper and lower wastewater treatment systems were built in the 1970s, and the breakdown of obsolete equipment results in high operation and maintenance costs and difficulty meeting TCEQ discharge permit limits. Currently, the only well providing potable water for the campus is seven miles away. The wells will provide drinking water and firefighting capabilities that will meet State Fire Marshal regulations for fighting fire on the mountain.

The proposed increase in the total project cost is necessitated by the need to drill four test water wells, the escalation of drilling costs in West Texas, the cost of additional equipment required by TCEQ, and the need to replace over a mile of existing piping. Additionally, as a result of the increased demand on the existing system, and TCEQ and National Fire Protection Association code requirements, the scope of the fire protection work has increased significantly.

9. U. T. Medical Branch - Galveston: Ike Recovery Projects - Academic and Business Buildings, Healthcare Buildings, Infrastructure, and Research Buildings - Amendment of the FY 2015-2020 Capital Improvement Program to revise funding sources; approval to reallocate funding between projects; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the four Ike Recovery Projects at U. T. Medical Branch - Galveston (UTMB) as follows:

**4 Ike Recovery Projects
Combined:**

Project No.: See attached chart

Project Delivery Method: See attached chart

Substantial Completion Date: See attached chart

Total Project Cost:	Source	Current	Proposed
	FEMA Insurance Claims	\$ 844,360,232	\$ 631,040,000
	Private Insurance Claims	\$ 54,948,002	\$ 69,490,000
	General Revenue (State Matching Funds)	\$ 150,000,000	\$ 150,000,000
	Hospital Revenues	\$ 86,177,812	\$ 147,367,674
	Grants	\$ 192,564	\$ 2,313,936
	Gifts	\$ 0	\$ 10,467,000
	Revenue Financing System Bond Proceeds ¹	\$ 0	\$ 125,000,000
		<hr/>	<hr/>
		\$1,135,678,610	\$1,135,678,610

Funding Note: ¹ Revenue Financing System (RFS) to be repaid from Hospital Revenues

a. Academic and Business Buildings

- amend the FY 2015-2020 Capital Improvement Program (CIP) to decrease the total project cost from \$251,893,380 to \$147,050,000;
- appropriate funds and authorize expenditure of an additional \$12,187,000 from Private Insurance Claims, an additional \$85,000 from State Matching Funds, \$260,000 from Grants, and \$5,040,000 from RFS Bond Proceeds;

b. Healthcare Buildings

- amend the FY 2015-2020 CIP to increase the total project cost from \$285,055,178 to \$356,190,000;

- appropriate funds and authorize expenditure of an additional \$1,862,998 from Private Insurance Claims, an additional \$13,764,649 from State Matching Funds, an additional \$18,509,733 from Hospital Revenues, an additional \$491,372 from Grants, \$10,467,000 from Gifts, and \$45,210,000 from RFS Bond Proceeds;
- c. Infrastructure
 - amend the FY 2015-2020 CIP to increase the total project cost from \$522,184,744 to \$581,860,000;
 - appropriate funds and authorize expenditure of an additional \$60,471,519 from Hospital Revenues, \$1,310,000 from Grants, and \$73,640,000 from RFS Bond Proceeds;
- d. Research Buildings
 - amend the FY 2015-2020 CIP to decrease the total project cost from \$76,545,308 to \$50,578,610;
 - appropriate funds and authorize expenditure of an additional \$4,381,000 from Private Insurance Claims, an additional \$15,531,900 from State Matching Funds, \$60,000 from Grants, and \$1,110,000 from RFS Bond Proceeds;
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Medical Branch - Galveston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$125,000,000.

BACKGROUND INFORMATION

Debt Service

The \$125,000,000 in aggregate RFS debt will be repaid from Hospital Revenues. Annual debt service on the \$125,000,000 RFS debt is expected to be \$5,500,000. The debt service coverage for the institution is expected to be at least 2.3 times and average 2.7 times over FY 2015-2020. Not all of the gift funding authorized for expenditure is fully collected or committed at this time; however, the Office of Finance has determined that the institution has sufficient local funds to cover any shortfall.

Project Description

The Board approved addition of the four Ike Recovery projects to the CIP on August 20, 2009. That action and the approved project structure have helped the work of the recovery from Hurricane Ike move forward effectively. The estimates used to determine the initial project costs were primarily focused on repair; however, as UTMB and FEMA worked through specific building assessments, it became clear that mitigation activity is a large portion of the overall effort. All four projects require phasing of construction and temporary accommodations to minimize the impact to university operations and include multiple construction phases with impacts to several building floors, interim moves of active programs, temporary utilities to support phasing, and overtime and after-hours work by the mobilized construction workforce. These costs, which are eligible for FEMA funding, coupled with the proposed construction durations significantly impact the anticipated overall funding required. The requested revisions of funding and total project costs reflect the impact of reduced FEMA support, which is offset by philanthropy and RFS Debt.

Previous Board Actions

On August 20, 2009, the **Academic and Business Buildings** project was included in the CIP with a total project cost of \$162,105,000 with funding of \$109,367,000 from FEMA Insurance Claims, \$16,283,000 from Private Insurance Claims, and \$36,455,000 from State Matching Funds. On May 17, 2010, the Chancellor approved the design development plans and authorized the expenditure of funds. On December 13, 2010, the Chancellor approved an increase in the total project cost from \$162,105,000 to \$171,105,000 and revised the funding sources to include \$9,000,000 from Hospital Revenues. On May 12, 2011, the Board approved the increase in total project cost from \$171,105,000 to \$251,893,380 and reallocated current funding as indicated on the attached chart.

On August 20, 2009, the **Healthcare Buildings** project was included in the CIP with a total project cost of \$271,668,000 with funding of \$183,284,000 from FEMA Insurance Claims, \$27,289,000 from Private Insurance Claims, and \$61,095,000 from State Matching Funds. On May 17, 2010, the Chancellor approved the design development plans and authorized the expenditure of funds. On August 9, 2010, the Chancellor approved an increase in total project cost from \$271,668,000 to \$275,620,780 and revised the funding sources to include \$3,952,780 from Hospital Revenues. On July 23, 2010, the Chancellor approved an increase in total project cost from \$275,620,780 to \$276,599,895 with additional funding of \$401,585 from Hospital Revenues and revised the funding sources to include \$577,530 from Grants. On December 13, 2010, the Chancellor approved an increase in total project cost from \$276,599,895 to \$298,599,895 with additional funding of \$22,000,000 from Hospital Revenues.

On May 12, 2011, the Board approved the decrease in total project cost from \$298,599,895 to \$285,055,178 and reallocated current funding as indicated on the attached chart.

On August 20, 2009, the **Infrastructure** project was included in the CIP with a total project cost of \$146,032,000 with funding of \$98,522,000 from FEMA Insurance Claims, \$14,669,000 from Private Insurance Claims, and \$32,841,000 from State Matching Funds. On May 17, 2010, the Chancellor approved the design development plans and authorized expenditure.

On November 11, 2010, the Board approved an increase in total project cost from \$146,032,000 to \$196,714,677 with additional funding of \$50,682,677 from FEMA Insurance Claims. On December 13, 2010, the Chancellor approved an increase in total project cost from \$196,714,677 to \$201,714,677 and revised the funding sources to include \$5,000,000 from Hospital Revenues. On May 12, 2011, the Board approved the increase in total project cost from \$201,714,677 to \$522,184,744 and reallocated current funding as indicated on the attached chart.

On August 20, 2009, the **Research Buildings** project was included in the CIP with a total project cost of \$87,195,000 with funding of \$58,827,000 from FEMA Insurance Claims, \$8,759,000 from Private Insurance Claims, and \$19,609,000 from State Matching Funds. On May 17, 2010, the Chancellor approved the design development plans and authorized expenditure. On October 26, 2010, the Chancellor approved an increase in total project cost from \$87,195,000 to \$91,595,000 and revised the funding sources to include \$4,400,000 from Hospital Revenues. On December 13, 2010, the Chancellor approved an increase in the total project cost from \$91,595,000 to \$95,595,000 with additional funding of \$4,000,000 from Hospital Revenues. On May 12, 2011, the Board approved the decrease in total project cost from \$95,595,000 to \$76,545,308 and reallocated current funding as indicated on the attached chart.

U. T. Medical Branch - Galveston - Ike Recovery Projects

**Academic and Business Buildings –
Ike Recovery**

Project No.:	601-504	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	October 2014	
Total Project Cost:		
Source	Current	Proposed
FEMA Insurance Claims	\$180,155,380	\$ 68,350,000
Private Insurance Claims	\$ 16,283,000	\$ 28,470,000
General Revenue (State Matching Funds)	\$ 36,455,000	\$ 36,540,000
Hospital Revenues	\$ 19,000,000	\$ 8,390,000
Grants	\$ 0	\$ 260,000
Gifts	\$ 0	\$ 0
Revenue Financing System Bond Proceeds	\$ 0	\$ 5,040,000
	\$251,893,380	\$147,050,000

Healthcare Buildings – Ike Recovery

Project No.:	601-505	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	March 2015	
Total Project Cost:		
Source	Current	Proposed
FEMA Insurance Claims	\$189,280,930	\$170,110,000
Private Insurance Claims	\$ 15,237,002	\$ 17,100,000
General Revenue (State Matching Funds)	\$ 53,605,351	\$ 67,370,000
Hospital Revenues	\$ 26,739,331	\$ 45,249,064
Grants	\$ 192,564	\$ 683,936
Gifts	\$ 0	\$ 10,467,000
Revenue Financing System Bond Proceeds	\$ 0	\$ 45,210,000
	\$285,055,178	\$356,190,000

Infrastructure – Ike Recovery

Project No.:	601-506	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	February 2017	
Total Project Cost:		
Source	Current	Proposed
FEMA Insurance Claims	\$419,685,714	\$377,210,000
Private Insurance Claims	\$ 14,669,000	\$ 10,780,000
General Revenue (State Matching Funds)	\$ 55,791,549	\$ 26,410,000
Hospital Revenues	\$ 32,038,481	\$ 92,510,000
Grants	\$ 0	\$ 1,310,000
Gifts	\$ 0	\$ 0
Revenue Financing System Bond Proceeds	\$ 0	\$ 73,640,000
	\$522,184,744	\$581,860,000

Research Buildings – Ike Recovery

Project No.:	601-507	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	July 2015	
Total Project Cost:		
Source	Current	Proposed
FEMA Insurance Claims	\$ 55,238,208	\$ 15,370,000
Private Insurance Claims	\$ 8,759,000	\$ 13,140,000
General Revenue (State Matching Funds)	\$ 4,148,100	\$ 19,680,000
Hospital Revenues	\$ 8,400,000	\$ 1,218,610
Grants	\$ 0	\$ 60,000
Gifts	\$ 0	\$ 0
Revenue Financing System Bond Proceeds	\$ 0	\$ 1,110,000
	\$ 76,545,308	\$ 50,578,610

10. U. T. Medical Branch - Galveston: Jennie Sealy Replacement Hospital - Amendment of the FY 2015-2020 Capital Improvement Program to revise funding; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Jennie Sealy Replacement Hospital project at U. T. Medical Branch - Galveston (UTMB) as follows:

Project No.: 601-253

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: September 2015

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds ¹	\$100,000,000	\$175,000,000
	Tuition Revenue Bond Proceeds	\$150,000,000	\$150,000,000
	Gifts	\$174,500,000	\$ 99,500,000
	Hospital Revenues	<u>\$ 13,500,000</u>	<u>\$ 13,500,000</u>
		\$438,000,000	\$438,000,000

Funding Note: ¹ Revenue Financing System (RFS) debt to be repaid from Gifts and Hospital Revenues

Investment Metrics: By 2020
• Increase hospital patient days by 20% from 101,160 to 122,000
• Increase hospital inpatient admissions by 15% from 22,510 to 26,000

- a. amend the FY 2015-2020 Capital Improvement Program (CIP) to revise funding to increase RFS Bond Proceeds by \$75,000,000 and reduce Gifts by \$75,000,000;
- b. appropriate and authorize expenditure of an additional \$75,000,000 from RFS; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Medical Branch - Galveston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$75,000,000.

BACKGROUND INFORMATION

Debt Service

The \$75,000,000 in additional aggregate Revenue Financing System debt is expected to be repaid as Gifts are collected. Annual debt service on the \$75,000,000 Revenue Financing System debt is expected to be less than \$2,000,000 (interest only.) Funding will be provided through RFS commercial paper notes that will be retired as Gifts are collected. The debt service coverage for the institution is expected to be at least 2.3 times and average 2.7 times over FY 2015-2020.

Previous Board Actions

On August 11, 2005, the project was included in the CIP with a total project cost of \$250,000,000 with funding of \$100,000,000 from RFS Bond Proceeds and \$150,000,000 from Gifts. On August 25, 2011, the Board approved design development plans, and an increase in the total project cost to \$438,000,000 with additional funding of \$150,000,000 from Tuition Revenue Bond Proceeds, an additional \$24,500,000 from Gifts, and \$13,500,000 from Hospital Revenues.

Project Description

This proposed change in funding is needed to provide bridge financing pending the receipt of Gifts. As Gift funds are received, RFS commercial paper issued to provide interim financing is expected to be retired. The Sealy and Smith Foundation has committed \$170,000,000 of philanthropy towards the Jennie Sealy Replacement Hospital project. Of the total, \$34,000,000 has been received from the Sealy and Smith Foundation to date with the remainder expected to be received in equal installments of \$11,333,000 annually through FY 2026. UTMB expects to raise an additional \$100,000,000 of Gifts, of which \$16,100,000 has been received to date. If Gift funds are not received, RFS debt will be repaid from Hospital Revenues.

This project consists of a 12-story building that includes 20 operating rooms, a day surgery unit, 54 ICU rooms, 192 medical-surgical rooms, and one shelled floor that will accommodate an additional 64 rooms at a future date.