



## TABLE OF CONTENTS FOR MEETING OF THE BOARD

**Board Meeting:** 11/9-10/2005  
Austin, Texas

### WEDNESDAY, NOVEMBER 9

#### COMMITTEE MEETING

Audit, Compliance, and Management Review Committee 9:30 – 10:30 a.m.

#### BOARD MEETING

- A. CONVENE IN OPEN SESSION 10:30 a.m.  
*Chairman Huffines*
- B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 (working lunch)
1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
- a. **U. T. System Board of Regents: Discussion and appropriate action related to legal issues concerning the Board of Regents' potential investment of funds held by Foundations that support the public purpose and educational mission of System institutions** *Mr. Burgdorf*
- b. **U. T. System Board of Regents: Discussion and appropriate action related to legal issues concerning the Declaration of Trust with Texas Student Publications** *Mr. Burgdorf*
2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073
- U. T. Tyler: Consideration of negotiated contract for prospective gift involving a naming opportunity** *Dr. Safady  
President Mabry*
3. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
- a. **U. T. Austin: Discussion and appropriate action regarding individual personnel matters related to presidential search** *Dr. Flawn  
Dr. Sullivan  
Chancellor Yudof*
- b. **U. T. System: Consideration of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System officers and employees**
- c. **U. T. System Board of Regents: Election of officers (Regents' Rules and Regulations, Series 10102)**

	<b>Board/Committee Meetings</b>	<b>Page</b>
<b><u>WEDNESDAY, NOVEMBER 9 (continued)</u></b>		
C. RECONVENE IN OPEN SESSION AND CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND RECESS FOR COMMITTEE MEETINGS	12:45 p.m.	
<b>COMMITTEE MEETINGS</b>		
Health Affairs Committee	1:00 p.m.	
Facilities Planning and Construction Committee	2:00 p.m.	
Academic Affairs Committee	3:00 p.m.	
Finance and Planning Committee	4:30 p.m.	
<b><u>THURSDAY, NOVEMBER 10</u></b>		
<b>COMMITTEE MEETING</b>		
Student, Faculty, and Staff Campus Life Committee	8:00 a.m.	
D. RECONVENE MEETING OF THE BOARD IN OPEN SESSION	9:00 a.m.	
<b>U. T. System: Annual meeting with representatives of Employee Advisory Council and discussion and appropriate action regarding report and recommendations</b>	<b>Discussion</b> <i>Ms. Ann Tate, Chair</i>	<b>1</b>
E. APPROVAL OF MINUTES	10:00 a.m.	<b>2</b>
F. RECESS FOR MEETINGS OF THE STANDING COMMITTEES	10:10 a.m.	<b>2</b>
G. CONSIDER AGENDA ITEMS		
1. <b>U. T. System: The Disaster Response Mutual Aid Plan overview and U. T. Medical Branch – Galveston’s response to Hurricane Rita</b>	10:40 a.m. <b>Report</b> <i>Dr. Kelley President Stobo</i>	<b>2</b>
2. <b>U. T. System Board of Regents: Appointment of Regent Colleen McHugh as Regental member to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)</b>	11:15 a.m. <b>Action</b>	<b>4</b>
3. <b>U. T. System Board of Regents: Appointment of Mr. Woody L. Hunt as external member of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)</b>	11:20 a.m. <b>Action</b>	<b>5</b>
4. <b>U. T. System: Authorization for the Chancellor to submit Report Concerning Designated Tuition</b>	11:25 a.m. <b>Action</b> <i>Dr. Sullivan</i>	<b>6</b>
5. <b>U. T. System: Discussion and appropriate action related to System-wide initiative to improve graduation rates</b>	11:35 a.m. <b>Action</b> <i>Dr. Sullivan</i>	<b>6</b>

	<b>Board Meeting</b>	<b>Page</b>
H. SPECIAL REPORTS		
1. U. T. System Board of Regents: Historical presentation on Colonel George W. Brackenridge and the Brackenridge Tract	<i>11:50 a.m.</i> <b>Report</b> <i>Mr. Jim Nicar</i> <i>Mr. Jim Wilson</i>	<b>7</b>
2. U. T. System: Report on assessments of institutional development operations	<i>12:10 p.m.</i> <b>Action</b> <i>Dr. Safady</i>	<b>7</b>
3. U. T. Austin: Update on Commission of 125 Recommendations	<i>12:25 p.m.</i> <b>Report</b> <i>President Faulkner</i>	<b>7</b>
I. ADJOURN	<i>12:30 p.m.</i> <i>approximately</i>	

D. RECONVENE MEETING OF THE BOARD IN OPEN SESSION

**U. T. System: Annual meeting with representatives of Employee Advisory Council and discussion and appropriate action regarding report and recommendations**

Agenda

1. Current and Past Officer Introductions
2. Past Officers Report and Council Recommendations
3. Conclusion by Current Chair

The U. T. System Employee Advisory Council will meet with the Board to discuss accomplishments of the Council and recommendations for the future as set forth on Pages 1.1 – 1.8.

Council members scheduled to attend are:

**Chair:** Ms. Ann Tate, Manager, Department of Neurology, U. T. Southwestern Medical Center - Dallas

**Past Chair:** Ms. Sandra K. Goertzen, Assistant Director, Payroll & Tax Compliance, U. T. Dallas

**Past Vice-Chair:** Mr. Eduardo "Pep" Valdes, Director of Internet and Internal Communications, Office of University Advancement/Public Affairs, U. T. Medical Branch - Galveston

**Past Secretary:** Ms. Janet Cole, Administrative Coordinator, Office of Health Affairs, U. T. System Administration

**Past Historian:** Mr. Glen Worley, Manager, Monograph Acquisitions and Approval Plans, University of Texas Libraries, U. T. Austin

**BACKGROUND INFORMATION**

The mission of the Employee Advisory Council (EAC) is to provide a forum for communicating ideas and information between employees, the Executive Officers of U. T. System, and the Board of Regents. Election of new officers was held in July 2005 and 16 new members joined the EAC in October.

**The University of Texas System  
Employee Advisory Council**



2004-2005

Recommendations and Report to the

Board of Regents

of

The University of Texas System

November 2005

## **A “university of the first class” needs a first class staff**

### **Introduction – The importance of higher education workers to The University of Texas System.**

It has been a tradition in Texas to equate higher education employees with state employees in terms of benefits and compensation. It is important that the UT System strive to keep its autonomy in order that its various institutions can provide the flexibility necessary for recruitment and retention of quality employees. This is a winning strategy as shown by the recent Hewitt Pathfinder study which cited UT System as the most efficient benefit program of 30 academic institutions surveyed. More importantly for UT System as a whole, this view equating higher education employees with state employees overlooks a major difference in the effect each group has on their particular customer base, and how this can relate to the health of the particular institution. Impressions formed by the customers, the students and patients of the UT System have an impact on this institution’s future financial wellbeing as well as its reputation. Awareness of these important considerations are often not attributed to the line level staff, but the majority of UT System employees understand the long-term implications of providing the best service possible. While state workers are also encouraged to provide good customer service, the interaction does not have the same possible consequences. For example: It is not likely a person who renews driver’s licenses will later receive a request to donate money to the Department of Motor Vehicles.

Many University of Texas staff choose to work at an institution of higher education to further the cause of education or research and make a positive contribution to our culture and society. They also choose to work in an environment where knowledge is prized and the pursuit of knowledge never ceases. They are committed to providing the means to a brighter future for students in the academic institutions and for students and patients in the medical institutions. As both of these customer groups are vulnerable populations, UT System employees also provide a secure environment for learning and healing. Parents and relatives entrust their loved ones to this institution and staff take this responsibility to heart. They also take their jobs seriously, show respect for the institution, and desire the same to be shown to them.

Most people outside of the educational system do not comprehend the amount of staff necessary for the operation of the various institutions of the UT System, because, if the institution is operating properly, the various functions of staff stay in the background and customers receive necessary services without their awareness of what it really takes to provide these services. At The University of Texas at Austin, for example, there are roughly 13,000 classified employees: This translates to four staff members for every faculty member, or one staff member for every four students. As similar faculty/staff and student/staff ratios

probably exist at all System institutions, it behooves the System to empower this large group of people and consider them an asset rather than a liability. Some reasons for doing this are as follows:

- Staff makes most of the financial transactions at each institution.
- Staff support the System institutions' faculty and physicians; and make it possible for these groups to use their talents effectively.
- Staff interact on a more personal level with the UT System customer base than either faculty or physicians.
- Staff are responsible for using System resources efficiently and responsibly.

### **Communication - An exchange of information**

The Employee Advisory Council strongly believes that communication is the key to integrating UT employees into the institution to the advantage of all. As mentioned previously, most people seek employment within UT System for more than just a job with benefits. However, the advantages of this motivation will be lost if the initial enthusiasm of these employees is not encouraged in a direction that benefits the employee while also benefiting the institution. Employees should receive, or have access to, as much information as possible concerning the workings of their institution and UT System. Most employees will choose to buy into the institution's mission and goals if they feel that they are considered an important part of the institution, rather than an afterthought. Employees are more likely to support and defend the institution during difficult times if they are given the necessary background information as to why the situation has developed. This also stops potentially harmful rumors from circulating via the speed of email.

Communication is defined as "an exchange of information". If information only flows one-way, then there is no communication; there is no exchange of ideas that could benefit the institution or its employees. The creation and support of the Employee Advisory Council shows a commitment on the part of UT System Board of Regents and administration to remain open to issues and concerns affecting staff. Also, the sharing of information to EAC members, and consequently to their constituents, can only benefit the institution by allowing all staff to become aware of the larger issues that confront us. In the four years that the EAC has been in existence, communication of information to and from the UT System Administration and the Board of Regents has been the main topic of discussion. The number one concern that EAC members bring from their various components is how can staff receive information from the highest levels and also pass information back in the form of concerns or questions. Because the EAC recognizes that some structures must be created and maintained to facilitate this exchange of information, we make the following three recommendations, all of which will improve communication and offer benefits to The University of Texas System and its institutions.

**Recommendation No. 1: E Pluribus Universitas: Promote and publicize greater staff involvement on campus and/or local community, or – it’s not about diversity, but university.**

If you would please direct your attention to the group photo of the EAC on Page 1.8, you will notice that the EAC is composed of a diverse group of individuals. This photo shows the diverse makeup of today’s Texas population at a glance. One could easily say, “We are Texas.” The first part of the UT System mission statement could easily be used to provide a caption for this picture: *University of Texas staff are from a wide range of social, ethnic, cultural, and economic backgrounds, thereby preparing educated, productive citizens who can meet the rigorous challenges of an increasingly diverse society and an ever-changing global community.*

Any company operating in Texas with a workforce exhibiting such a varied makeup would use this to promote itself to the community, not only for its obvious public relations advantages, but also to increase its corporate strength over its rivals by recruiting more talented individuals of different backgrounds. This same strategy is stated very well in The University of Texas System mission statement, *“Recruit and appropriately recognize exemplary administrators and staff members who provide leadership and support of the educational enterprise in an energetic, creative, caring, and responsible manner.”*

**Cost Considerations:**

Costs for this recommendation should be minimal. Each institution already has an office for official communication, public relations, etc. These offices should be encouraged to publicize in the local community staff accomplishments, such as UT Austin’s Excellence Awards. Participation in campus-wide committees will involve some work time, but this should be a reasonably small amount. Some institutions may also seek to put on events for staff such as recognition programs or heritage recognition events such as Juneteenth or Cinco de Mayo. Expenditures for these events can be reduced if outside sponsorship is allowed. UTMB has a wonderful event called the Staff Support Conference that allows outside vendors to rent booths and market themselves to the UTMB community.

**Advantages to UT System and institutions:**

The UT System can demonstrate to the citizens of Texas, and to their duly elected representatives, that UT has created a workplace where employees combine their unique talents and backgrounds to provide superior educational opportunities and medical care. As the public becomes more aware of this, recruitment of diverse students, staff, and faculty will become easier. UT System will be seen as a leader in this area not a follower.

The EAC believes that the UT System can and should capitalize on the diversity of its staff by allowing and encouraging more participation of staff members in

campus affairs. Staff members are long-term residents of each campus and, as mentioned previously, are often the point-of-service for customers of the UT System. If these customers see that all sorts of individuals are working together to provide services for them, it can only leave a positive impression.

Incorporation of staff into the university experience not only will increase employee ownership of the goals of the organization, but also provide valuable goodwill from the community towards the institution. Staff members should also be invited and encouraged to participate on campus-wide committees. Public recognition of staff, especially in the surrounding community, will serve to enhance the reputation of the institution and the UT System.

**Recommendation No. 2: Establish a Staff Council, or similar organization, for each institution.**

Many of the UT System institutions already have some sort of staff council, however, there are still a few institutions that do not. These institutions should be encouraged to lay the groundwork and provide the necessary support to create and maintain such organizations.

**Cost considerations:**

In order for the staff council to work effectively, it is necessary to allow employees to use work time to attend to staff council business. For example at UT Austin staff council members are allowed four hours of work time each month to attend the monthly staff council meeting and for staff council committee meetings. A policy such as this must be supported by the institution administration in order that any person elected to the staff council will be encouraged to act as an effective member of this group. Support must also be given to the officers of these staff councils who will likely have more responsibilities and demands on their time. It is also likely that there will be a small amount of operating expenses such as handouts, tech support for the maintenance of staff council Web pages, etc. The administration could also choose to give the staff council a budget to cover these expenses, which is already being done at UTHSC-Houston for example. This would make each staff council in question responsible for a budget and encourage good stewardship of institutional resources. Overall, the costs of establishing and maintaining a staff council are minimal, especially when compared to the advantages.

**Advantages to UT System and institutions:**

The establishment and support of staff councils at each of the UT System institutions will provide a useful mechanism to supply information to staff, and also would allow staff to suggest policy changes or solutions to problems using a deliberative process. Staff councils, along with the EAC, provide an opportunity for staff to make a contribution to their work environment and identify more closely with the institution by understanding the complexities faced by the leaders of each institution. Employees who are willing to invest their time to improve things are the kind of employees who bring value to an institution, and are the

employees that any institution would wish to retain. Staff Councils also provide opportunities for the members to network and become familiar with parts of the organization with which they normally would have no knowledge or contact. This peer-to-peer communication increases the efficiency of the organization and reduces the us vs. them attitudes between departments that can be the source of many problems on campus. Staff Councils also can be the nurturing ground for the future leaders of the various departments of the component. The experience of working in such an organization can be very valuable to the employee who can then bring that to their own workplace.

**Recommendation No. 3: Make the EAC Best Practices document a living document accessible to all employees.**

During fiscal year 2002-2003 the EAC compiled a 66-page document listing many of the “best practices” of each system institution regarding their employees. The goal was that “The best practice program would be a repository of model programs from all components.” Many institutions have come up with innovative strategies and policies benefiting their employees. By making this information accessible, the various institutions can be recognized for their ingenuity, and also other institutions can get ideas. The EAC recognizes that what works at one campus may not be possible at another, but there is such a profusion of excellent ideas, it is unlikely that there is not something there that could not be used by another institution.

This document was presented to the Board of Regents at the February 2003 meeting. The document was later posted on the UT System Web site, but only accessible by UT System institution HR directors. The EAC felt that limiting access to this document did not encourage the use of the document as originally envisioned. In 2004 the EAC recommended that the Best Practices document be posted on the EAC Web site. The Best Practices document is now available on the EAC Web site and the EAC now recommends that support be given to the EAC to transform the document as a constantly updated, easily searchable, list of the best practices involving employees of the UT System.

**Cost considerations:**

The cost for making this document accessible is minimal. Occasional technical support will be necessary to keep it up-to-date. Ideally, some sort of indexing by component, category of practice, etc. would be developed to facilitate searching this large document. The EAC recommends that it be charged with the maintenance of this document with support from UT System HR. The EAC also recommends that each institution’s staff council be charged to review the practices submitted by their campus and also to submit new contributions to the EAC on an annual basis.

**Advantages to UT System and institutions:**

The Best Practices document will be a constantly updated resource for various institutions. Information regarding the cost and success of each practice is given which will help individuals or departments considering whether to try one of these practices. Since this information will be available to employees, they can use it to make suggestions for similar practices through their staff councils, or through whatever mechanism is appropriate. Staff Councils should also be encouraged to work with their local HR office to collaborate on implementing existing ideas on the document or contributing new ones. This will encourage greater communication between the staff council and the local HR office. The publication of this document will promote the sharing and development of good ideas, and also further refinement of these ideas. It also demonstrates publicly that UT System encourages innovation in improving its employees' lives.

**Conclusion – UT System must effectively integrate all its human resources to remain a first class institution that continually attracts intelligent, dynamic faculty, students, and staff.**

UT System possesses an extremely talented, motivated workforce in locations all over the state. These staff members have the potential to be the most effective ambassadors to the everyday Texan because they can bear witness to their community, as no press release can, of the wonderful things being accomplished by the institutions of the UT System. If for no other reason than this, staff should be treated with the same dignity and respect that is afforded to any other integral part of such a diverse and “forward thinking” institution. The Employee Advisory Council believes that the adoption of the three recommendations will greatly improve communication between the rank and file employees of UT System and the men and women charged with directing its progress through the twenty-first century. This will allow us to not only retain and recruit the best people, but will also serve to make working here, at any level, a reason for pride. We all must remember: “It takes a first class staff to operate a university of the first class”.

Thank you very much for your attention today.



E. APPROVAL OF MINUTES

F. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Audit, Compliance, and Management Review Committee: Chairman Estrada  
Agenda Book Page 9  
No Items

Finance and Planning Committee: Chairman Rowling  
Agenda Book Page 12

Academic Affairs Committee: Chairman Krier  
Agenda Book Page 21

Health Affairs Committee: Chairman Clements  
Agenda Book Page 35

Facilities Planning and Construction Committee: Chairman Barnhill  
Agenda Book Page 42

G. CONSIDER AGENDA ITEMS

1. **U. T. System: The Disaster Response Mutual Aid Plan overview and U. T. Medical Branch – Galveston’s response to Hurricane Rita**

REPORT

Executive Vice Chancellor Kelley will provide a report on the U. T. System Disaster Response Mutual Aid Plan. President Stobo will make a presentation on U. T. Medical Branch – Galveston’s response to Hurricane Rita following the PowerPoint on Pages A – G of the Supplemental Materials (Volume 2) of the Agenda Book.

Disaster response and recovery preparedness involves a cycle of outreach, planning, capability development, training, exercising, evaluation, and improvement. While U. T. System institutions have disaster plans in place, Tropical Storm Allison in 2001 illustrated the need for a more formalized process for providing response and recovery assistance following a major disaster for all U. T. System institutions.

Since 2001, over 60 representatives from across the U. T. System have participated in the Disaster Mutual Aid Working Group. Participants include subject matter experts in finance, physical plant, security, environmental health and safety, human resources, procurement, counsel, and information technology. This working group developed the Disaster Response Mutual Aid Agreement (MOU) and Guidebook, collectively referred to as the Disaster Response Mutual Aid Plan (the Plan), which became effective in March 2003.

The Plan outlines a process for unaffected U. T. System institutions to provide manpower and materials to assist impacted U. T. System institutions in recovering from a major disaster. The Plan consists of detailed procedures for administration of the MOU executed to be effective between all U. T. System institutions, as well as disaster response and recovery, and provides an inventory of resources available during a disaster. One of the requirements of the Plan is to conduct annual exercises to test coordination of the Plan and its ability to:

1. Integrate resources from U. T. System institutions within the region to aid the affected U. T. System institution;
2. Coordinate disaster response team efforts to work together effectively under a unified command system;
3. Improve communication within and between U. T. System institutions and U. T. System Administration;
4. Identify training or resource needs and deficiencies in the Plan; and
5. Develop recommendations for improving the Plan.

The Plan is initiated when assistance from local authorities and/or outside contractors is not available or adequate. In July 2002, U. T. System executed a contract with BMS Catastrophe, Inc. to provide disaster restoration and recovery services. These services include project management; fire, smoke and water damage recovery; moisture control; heating, ventilation and air conditioning decontamination and cleaning; microbial remediation; telecommunications, electronics, media and equipment recovery; and recovery of documents, books and vital records. All services are provided using rates negotiated on a pre-loss basis.

#### HURRICANE RITA RESPONSE AND RECOVERY

U. T. System institutions predicted to be in the path of Hurricane Rita did a phenomenal job executing their disaster plans in preparing for the worst case scenario. Although it appears the physical damage was light, affected institutions had to dedicate extensive resources to relocate patients and staff and to conduct other emergency preparedness activities. Other U. T. System institutions were very active in making preparations to assist, if needed.

Under the Plan, the U. T. System Office of Risk Management initiated communication with the institutions' mutual aid coordinators. All U. T. System institutions were prepared to offer recovery assistance and BMS Catastrophe, Inc. was prepared to provide response and recovery services to U. T. institutions. While on call, neither the Plan nor the contract with BMS Catastrophe, Inc. was executed during the disaster.

A systemic issue identified during the disaster was the need for reliable communication equipment and notification systems. U. T. System institutions will need to evaluate equipment and systems frequently since these items are often the most problematic during a disaster. In addition, U. T. System needs to ensure that the Plan and the legislatively mandated information technology disaster recovery plan overseen by the State Department of Information Resources are not in conflict.

U. T. System and U. T. institutions are pursuing federal and/or other funds that might be available to recover from the financial losses resulting from Hurricane Rita.

2. **U. T. System Board of Regents: Appointment of Regent Colleen McHugh as Regental member to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**

**RECOMMENDATION**

In accordance with the requirements of the Regents' *Rules and Regulations*, Series 10402, Chairman Huffines requests approval of the proposed appointment of Regent Colleen McHugh to replace Vice Chairman Hunt on The University of Texas Investment Management Company (UTIMCO) Board of Directors to serve a term ending April 1, 2007, or until a successor is chosen and qualifies, or until her earlier resignation or removal.

**BACKGROUND INFORMATION**

Pursuant to *Texas Education Code* Section 66.08, the Board of Regents shall appoint the nine directors of UTIMCO. At least three members of the U. T. System Board of Regents and the Chancellor shall be appointed to the UTIMCO Board of Directors by the Chairman of the Board of Regents, by and with the consent of the Board of Regents.

Vice Chairman Hunt has served on the UTIMCO Board of Directors since August 1999. The proposed appointment of Regent McHugh has been reviewed by the Office of General Counsel and the Counsel and Secretary to the Board and was found to be consistent with State law and the provisions of the UTIMCO Code of Ethics.

3. **U. T. System Board of Regents: Appointment of Mr. Woody L. Hunt as external member of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**

**RECOMMENDATION**

In accordance with the requirements of the Regents' *Rules and Regulations*, Series 10402, Chairman Huffines recommends that Mr. Woody L. Hunt be appointed as an external member of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) for a term ending on April 1, 2006, or until his successor is chosen and qualifies, or until his earlier resignation or removal.

**BACKGROUND INFORMATION**

Pursuant to *Texas Education Code* Section 66.08, the Board of Regents shall appoint all the directors of UTIMCO. At least three members of the U. T. System Board of Regents and the Chancellor shall be appointed to the UTIMCO Board of Directors upon recommendation by the Chairman of the Board of Regents, by and with the consent of the Board of Regents. External members of the UTIMCO Board are appointed by the Board of Regents following a process outlined in the Regents' *Rules and Regulations*, Series 10402.

Consistent with Series 10402, a broad solicitation for nominations was conducted in June 2004. In August 2005, Chairman Huffines appointed an advisory committee of Regent Caven, Regent Rowling, and UTIMCO Director Erle Nye to make recommendations to him. Following recommendation from the committee, Chairman Huffines has recommended Mr. Woody L. Hunt be appointed as an external member of the Board of Directors of UTIMCO. The proposed appointment of Mr. Hunt as an external member of the UTIMCO Board has been reviewed by the Vice Chancellor and General Counsel and the Counsel and Secretary to the Board and found to be consistent with State law and the UTIMCO Code of Ethics. The Office of the Board of Regents has also reviewed Mr. Hunt's most recent disclosure forms filed with UTIMCO and confirmed that no conflicts exist.

Mr. Hunt, former Vice Chairman of the Board of Regents, served on the UTIMCO Board of Directors as a Regent director from 1999 to 2005 and was Chairman of the UTIMCO Board from 2003 to 2005. If approved, he will fill the position vacated by Mr. I. Craig Hester, who resigned from the Board of Directors February 1, 2005.

4. **U. T. System: Authorization for the Chancellor to submit Report Concerning Designated Tuition**

RECOMMENDATION

It is requested that the Board of Regents grant authority to the Chancellor to submit on its behalf the "Report Concerning Designated Tuition" as required by the General Appropriations Act, Senate Bill 1, Article III, Section 59 to the Lieutenant Governor, the Speaker of the House, the Chair of the Senate Finance Committee, the Chair of the House Appropriations Committee, and the members of the Legislative Oversight Committee on Higher Education.

BACKGROUND INFORMATION

A Report Concerning Designated Tuition is to be filed not later than January 1, 2006, by the governing board of each public institution of higher education that charges students designated tuition under Section 54.0513, *Texas Education Code*, for the 2004-2005 and 2005-2006 academic years. The Report is to include the amount the institution has collected in designated tuition, the purposes for which the institution spent the money derived from designated tuition and the amount of that money spent for each of those purposes, and the amount set aside from designated tuition for resident undergraduate and graduate student assistance under Section 56.011 and 56.012, *Texas Education Code*. In addition, the Report must include information on the total academic cost for resident undergraduates enrolled for 15 semester credit hours derived from actual fee bills for the 2004 Fall Semester and the 2003 Spring Semester and must reflect actual charges for statutory tuition, designated tuition, mandatory fees, and average college and course fees. Upon completion, the Report will be provided to members of the Board for comment prior to delivery to the appropriate oversight bodies on or before January 1, 2006.

5. **U. T. System: Discussion and appropriate action related to System-wide initiative to improve graduation rates**

PURPOSE

Executive Vice Chancellor Sullivan will lead a discussion on the U. T. System-wide initiative to improve graduation rates for academic institutions following the report set forth on Pages 6.1 – 6.11.

BACKGROUND INFORMATION

Each fall approximately 50,000 to 60,000 students enter Texas public universities for the first time. Of these students, approximately 43,000 enroll in at least 12 semester credit hours (SCH) and are considered to be full-time students. The Texas Higher Education Coordinating Board estimates that of those enrolled full-time, 52.6% had graduated with a baccalaureate degree six years after first enrolling. Moreover, the Coordinating Board studies estimate that 33% of those 43,000 students were no longer enrolled and had not graduated.

## U.T. SYSTEM GRADUATION RATES INITIATIVE

Teresa A. Sullivan

Executive Vice Chancellor for Academic Affairs\*

Improving graduation rates within the U.T. System is not an option, but an imperative if the “Closing the Gaps” program is to be successful. “Closing the Gaps” correctly identifies student success as one of its four pillars. U.T. System institutions have rightly put a great deal of emphasis on access to higher education, which is necessary because of Texas’ demographic characteristics: growing numbers of young people in a state that has traditionally had rather low rates of college attendance. Access to higher education, however, is not sufficient: unless the students are also able to graduate, they will realize disappointingly few of the economic benefits of a college education.

Not only does Texas need to have more students graduate, Texas also needs to have more students graduate within four or five years of initial matriculation. The federal government requires institutions of higher education to publish their six-year graduation rates, and so this is an indicator with which U.T. institutions can benchmark themselves across the country.<sup>1</sup> The 2001 national graduation rate, which was about 58%, can be interpreted as meaning that of all the first-time, full-time, degree-seeking freshman students in 1995-1996, only 58% of them had completed a baccalaureate degree by 2004.<sup>2</sup> The national rate is low, but the rates in most of the academic institutions within the U.T. System are even lower, with five institutions recording six-year graduation rates below 37% for 2001 and 2002.<sup>3</sup> (See Appendix I for more detail.)

The costs of low graduation rates are borne by everyone. Students extend their time in school, spending more tuition, perhaps borrowing more money, and losing the additional income they could have been earning as graduates. Students who take many years to graduate are likely to forego the benefit of cumulative courses (including foreign languages, mathematics, and science) because they have a greater likelihood of forgetting what they have learned in earlier courses. Low graduation rates also hurt either younger students of students, who have less access, or the taxpayers, who must pay for unnecessarily large enrollments. By reducing university throughput, low graduation rates potentially reduce the number of students who can be served. Given the growing demand for college access, low graduation rates represent a cost passed on to younger students. If instead the institutions enlarge their student bodies, the costs of low graduation rates are passed on to taxpayers to provide more buildings and higher operating costs.

### Previous Work

An interest in addressing low graduation rates has been building within the System for some time. A few examples will illustrate this point. President Larry R. Faulkner made raising the graduation rate a public goal when he embarked upon his presidency, and

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\* I appreciate useful comments from Chancellor Mark Yudof, Dr. Gary Hanson, Dr. Geri Malandra, and Dr. Pedro Reyes.

U.T.-Austin has seen a small but steady improvement every year since then. U.T.-Arlington's annual conference on academic advising was devoted in spring, 2005, to the role of advising in graduation rates. Both U.T.-Austin and U.T.-Arlington have produced task force reports on graduation rates and related issues (see Appendix II). UTSA has identified a series of specific steps they wish to take, and UTEP has featured raising graduation rates as a goal within its compact. UTEP will also make student success the focus of its Quality Enhancement Plan for its next regional accreditation study.

In addition, when the 78<sup>th</sup> legislature granted Regents the authority to set designated tuition, improving graduation rates became an integral objective of the new tuition proposals. Both UTPB and UTT offer senior-year incentives to students who have taken full loads in their underclass years. U.T.-Austin, UTD, and UTPA offer versions of flat-rate tuition, which has usually been associated with higher graduation rates. UTB used its additional designated tuition to hire more academic advisers, so that students have greater access to accurate advice concerning their degree plans.

U.T. System administration has also shown a continuing interest in improving student retention and graduation. The U.T. System *Accountability Report* has included several variants on graduation rates. The Board of Regents was briefed on graduation rates at its meeting in May, 2005. This report represents a continuation of this interest.

Most studies of graduation rates have identified low graduation rates as stemming from two sources: the characteristics of the *students* and the characteristics of the *institutions*. Student characteristics that are known to reduce graduation rates include poor preparation for college, low income, family responsibilities, part-time or intermittent attendance, and illness or injury (either the student's or a family member's). Students who are the first in their family to attend college and students who have limited incomes are at higher statistical risk of low graduation rates.<sup>4</sup> By contrast, more selective institutions, as measured by such indicators as SAT or ACT scores and high school grades, tend to have much higher graduation rates.

Institutions with low graduation rates tend to be metropolitan or urban, to have diverse student bodies, and to have missions consistent with open access.<sup>5</sup> But the potential institutional contributions to low graduation rates are believed to go far beyond such characteristics and to include poor placement and orientation, poor or nonexistent retention programs, poor academic advising, confusing curriculum, overly lengthy curriculum, overly restrictive policies concerning transfer of credit, low levels of financial aid, and faculty indifference.<sup>6</sup>

To emphasize the characteristics of students seems to blame the victims, and most institutions have little control over many of the student characteristics known to contribute to low retention and low graduation rates. By the same token, institutions cannot easily change their location and mission. But the foundational issues of advising, curriculum, and institutional culture are amenable to interventions. It is here that we would like to concentrate our resources, recognizing that such issues do not address every

aspect of the problem, and that even the best reforms will take, by definition, six years to show improved results.

### **A Framework for Intervention<sup>7</sup>**

Studies of campuses that have been successful in raising graduation rates have found that the following practices have been useful:

- a statement of policy that higher graduation rates are a goal for the campus
- a faculty review of curriculum, including major requirements, prerequisites, the frequency and timing of course offerings
- a review of campus policies for probation, suspension, and entrance to upper division majors
- a review of academic advising practices
- a faculty review of “gateway courses,” such as calculus and introductory chemistry, that often have high failure rates and may prevent students from entering their major of choice
- administrative review of scheduling practices, including such practices as scheduling two required courses at the same hour or scheduling prerequisite courses on an unpredictable basis
- faculty development programs that stress effective teaching practices
- automated degree checking programs that are easily available to students
- alignment of financial aid practices, including discussion of the appropriate course load that qualifies as “full-time”
- review of transfer credit policies
- review of admission policies
- review of the process by which students are placed into courses, including remedial courses
- review of freshman year practices, including orientation and retention programs
- “soft” cultural practices that encourage graduation, including the design of the graduation ceremony itself, the celebration of landmarks on the way to graduation (such as class rings), and the labeling of the freshman class with expected date of graduation (e.g., Class of '09 for students entering as freshman in Fall of 2005)

Some successful practices may not seem self-evident. Studies have shown, for example, that work-study as a form of financial aid leads to improved student retention, possibly because the student spends more time on the campus and is more immersed in the academic enterprise. By the same token, students who live in residence halls tend to have higher graduation rates than students who live off-campus. In both of these examples, there appears to be a connection between the amount of time focused on campus activities and success in academic programs. Thus, a campus with many commuter students may look to recreation centers, student unions, and student activities as potential ways to increase student commitment.

In raising graduation rates, successful campuses have had the buy-in of many constituent groups, and the project is often tackled at many points within the institution. Regents,

administrators, faculty, advisers, student affairs staff, student groups, and alumni will realize improved results when they collaborate and reinforce one another's efforts.

### **Knowing What Works**

Although some best practices are well documented, it appears that many different innovations may have at least some benefit on graduation rates. It is very important, therefore, that campuses develop some metrics to gauge how well their innovations are working. In particular, shorter-term measures will be needed, because the graduation rate will show effects only after a number of years. Efforts to improve graduation rates have typically measured year-to-year retention rates, especially the freshman retention rate. In addition to retention rates, campuses may also wish to track the average course load of full-time students and changes in the production of semester credit hours over time.

Because of the way that the graduation rate is measured – a cohort measure based upon first-time, full-time degree-seeking students – transfer students have been somewhat ignored. Transfer students are, however, a significant portion of the student body at many UT campuses, and the improvement of graduation rates should not overlook the progress made by transfer students. Nationally, the data indicate that transfer students are less likely to graduate than students who begin full-time at one institution and stay there.<sup>8</sup> At some UT institutions, by contrast, transfer graduation rates are relatively high although unmeasured by the traditional graduation rate.

In addition, there is a group of students who begin their studies on a part-time basis and intend to remain part-time students. For such students, an alternate measure such as credits-toward-the-degree might be developed and monitored.

In a System as diverse as the University of Texas System, not every new practice will be equally successful at every campus. Moreover, a scattershot approach that involves trying every one of these practices is unlikely to be successful. Instead, we propose here a focused, campus-based, and closely monitored approach for each institution.

### **Immediate Steps.**

- 1. A strong statement from the Board of Regents.** The Regents should announce their intention to see graduation rates rise by all means that are within the control of campus administrators. This statement should recognize that student characteristics, and many campus characteristics, are not under the control of administrators, and that even with hard work, uniformly high graduation rates are unlikely. Moreover, this statement should recognize that even immediate reforms will necessarily not show measurable results for several years.
- 2. A campus-wide implementation group.** If it does not already have one, each campus should develop a task force to review the graduation rates on its own campus and identify the changes that can be undertaken immediately, within a

few years, or within a longer term. Where such a task force has already reported, an implementation group should be empowered to review progress. These groups should broadly include all relevant campus constituencies, including faculty, advisers, students, administrators, and staff. Depending upon the campus, the use of student focus groups may be helpful in identifying obstacles and opportunities.<sup>9</sup>

- 3. A long-term target.** Each campus should set a target graduation rate for 2015, based on its own circumstances, and subject to Regental approval.

### **Middle-range Steps**

- 1. An annual program of graduation rates activities.** Many organizational sub-units should be expected each year to include the improvement of graduation rates in their annual goals. The admissions office, for example, could examine freshman retention rates as a form of post-mortem for the previous year's admissions. Faculty groups could monitor the success or failure of students in key gateway courses. College deans could examine the progress of students through majors to identify patterns of majors with slow progress to graduation. The provost's office could examine how often required courses are offered, and at what time of day.
- 2. A statement of action steps.** Each year, the president and provost should review the graduation rates activities, looking for the most promising proposed changes to implement. The campus should be kept informed on the decisions made and the rationales. Three well-designed steps each year are a possible goal. Compacts, strategic plans, and accreditation self-studies are logical places to include statements of action and to evaluate results.

### **Long-range Steps**

- 1. Develop longer-range efforts to affect graduation rates.** Longer-range issues could include purchase or design of student information modules that allow students to review their own progress toward a degree; the redesign of majors or of general education curriculum; and the development of more focused requirements for admission. These long-range steps should enter the campus' planning activities with a high priority.

### **System Actions**

There are specific ways in which the U.T. System Administration could add value to the process of improving retention and graduation rates. On September 30, 2005, the Office of Academic Affairs convened a System-wide conference on graduation rates at UTD. Each institution and the FAC have been invited to send delegations of up to five people to attend the conference. OAA will also consult during FY 06 with the Faculty Advisory Council and the Student Advisory Council concerning the graduation rates initiative.

Some campuses do not yet have self-administered, automated degree checking. The Office of Academic Affairs, in conjunction with the Office of Business Affairs and the Chief Information Officer, has surveyed campuses concerning their current software capabilities, and they stand ready to assist campuses in assessing software for purchase.

There is already a project underway at the System to investigate additional measures to supplement the graduation rate to take into account the statistical “noise” in the measure, such as the high level of mobility among students.<sup>10</sup>

The Office of Academic Affairs should also investigate developing a website directed at parents to discuss graduation and help parents assess the progress that their children are making as students. For example, the website could explain that the usual definition of “full-time,” which is twelve semester credit hours, implies that a minimum of ten semesters, or five years, would be needed to complete the conventional 120-hour bachelor’s degree plan. It is otherwise paradoxical to parents that a student could be full-time and still not finish within four years.

If this general framework is adopted, then the Office of Academic Affairs plans to visit each campus to discuss its approach to graduation rates and to look for ways that campus best practices can be shared with one another.

## **Conclusion**

The Board of Regents should not expect quick results. The variables involved in graduation rates are numerous and not all of them are within the control of the institution. In addition, it will take years to see the effect of the measures that we begin now. Progress will necessarily be incremental. On the other hand, it is critical that the U.T. System institutions continue a long-term trajectory to improve the outcomes for tens of thousands of students.

## NOTES

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<sup>1</sup> Six-year graduation rate information is collected through the Graduation Rate Survey, which is required by the federal Student Right to Know Act. This survey began with the entering class of 1992. Institutions report their data classified by gender and race/ethnicity, but not by family income, academic major, or other variables of potential interest. Lutz Berkner, Shirley He, and Emily Forrest Cataldi, *Descriptive Summary of 1995-1996 Beginning Postsecondary Students: Six Years Later*, U.S. Department of Education, National Center for Education Statistics, 2002.

<sup>2</sup> See [http://nces.ed.gov/programs/digest/d03/ch\\_3.asp](http://nces.ed.gov/programs/digest/d03/ch_3.asp). The 2001 rate for students who began at a 4-year institution with the intention of gaining a bachelor's degree was 62.7%. The overall rate since 2001 has declined to about 55%.

<sup>3</sup> University of Texas System, *Accountability Report*, annual.

<sup>4</sup> Alexander W. Astin and Leticia Oseguera, "Degree Attainment Rates at American Colleges and Universities," rev. ed. University of California, Los Angeles-Higher Education Research Institute (January 2005).

<sup>5</sup> Lana Muraskin, John Lee, with Abigail Wilner and Watson Scott Swail, *Raising the Graduation Rates of Low-Income College Students*, Pell Institute for the Study of Opportunity in Higher Education (December 2004).

<sup>6</sup> Vincent Tinto, *Leaving College: Rethinking the Causes and Cures of Student Attrition*. Chicago: The University of Chicago Press, 1987.

<sup>7</sup> For further detail, see Kevin Carey, "A Matter of Degrees: Improving Graduation Rates in Four-Year Colleges and Universities," A Report by the Education Trust (May 2004);

<sup>8</sup> Carey, citing Berkner et al.

<sup>9</sup> On the use of student focus groups, see Henry M. Codjoe and Marilyn M. Helms, "A Retention Assessment Process: Utilizing Total Quality Management Principles and Focus Groups," *Planning for Higher Education* 33,3 (March-May 2005): 31-42.

<sup>10</sup> Elizabeth F. Farrell, "Most Students Attend More Than One College on the Path to a Bachelor's Degree, Report Says," *The Chronicle of Higher Education* (June 1, 2005).

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## **APPENDICES**

**Appendix I: Graduation Rate Information for U.T. System Academic Institutions**

**Appendix II: Task Force Reports**

**Appendix I**  
**Graduation Rate Information for U.T. System Academic Institutions**

Graduation rates are low by national standards at several UT System institutions. However, six-year graduation rates have steadily increased at all U. T. System academic institutions for students matriculating between 1995 and 1997. For example: up 6.2 percentage points at U. T. Arlington; up 3.3 percentage points at U. T. Pan American, and up 5.5 percentage points at U. T. Permian Basin. This appendix presents recent data for the U.T. academic institutions.

Table I-25, taken from the most recent U.T. System *Accountability Report* and based on data published by the Texas Higher Education Coordinating Board, presents detail on 4- year graduation rates from same institution. Tables I-26 and I-27 present similar data on 5-year and 6-year graduation rates.

**Table I-25**

<b>Undergraduates Graduating in Four Years or Less from the Same U.T. Academic Institution, Total</b>						
Enrolled Fall		1995	1996	1997	1998	1999
Arlington		9.6%	13.2%	12.7%	12.3%	14.5%
Austin		35.6	39.2	36.5	38.9	41.3
Dallas		32.0	30.3	31.7	37.7	29.6
El Paso		2.1	2.9	2.5	3.6	4.5
Pan American		5.3	5.9	6.2	7.8	8.4
Permian Basin		10.0	9.3	15.2	17.0	15.5
San Antonio		5.2	5.5	6.3	6.3	6.1
Tyler*		--	--	--	26.3	49.7
*Tyler did not admit freshmen under Summer/Fall 1998						
<i>Source: Texas Higher Education Coordinating Board</i>						

- Because students at U. T. Brownsville/Texas Southmost College typically start at TSC, accurate graduation rates cannot be calculated. These data issues will be addressed in future studies.

Table I-26

<b>Undergraduates Graduating in Five Years or Less from the Same U.T. Academic Institution, Total</b>				
	1995	1996	1997	1998
Enrolled Fall				
Arlington	22.4%	29.3%	30.6%	29.5%
Austin	63.2	65.2	63.5	66.9
Dallas	48.3	46.0	51.5	50.9
El Paso	14.4	14.8	14.8	16.0
Pan American	15.3	15.8	17.7	18.0
Permian Basin	20.0	19.5	25.9	26.8
San Antonio	18.7	17.8	18.7	19.6
Tyler*	--	--	--	36.4
*Tyler did not admit freshmen until Summer/Fall 1998.				
<i>Source: Texas Higher Education Coordinating Board</i>				

Table I-27

<b>Undergraduates Graduating in Six Years or Less from the Same U.T. Academic Institution, Total</b>			
	1995	1996	1997
Enrolled Fall			
Arlington	30.6%	36.4%	36.8%
Austin	69.9	71.9	70.1
Dallas	55.2	51.8	56.2
El Paso	25.1	24.4	25.6
Pan American	22.9	24.6	26.2
Permian Basin	24.0	23.2	29.5
San Antonio	26.6	25.5	27.6
Note: Tyler did not admit freshmen until Summer/Fall 1998			
<i>Source: Texas Higher Education Coordinating Board</i>			

The mix of student characteristics at U.T. System institutions is consistent with low graduation rates; compared with the national norm, U.T. System schools enroll a higher proportion of low-income, first-generation students.

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## **Appendix II: Task Force Reports**

The Report of the U.T.-Austin Task Force on Enrollment is available on line at [http://www.utexas.edu/opa/news/04newsreleases/nr\\_200401/report\\_enrollment.pdf](http://www.utexas.edu/opa/news/04newsreleases/nr_200401/report_enrollment.pdf)

Report of the UT Arlington Task Force is available on line at <http://www.uta.edu/provost/GradRateFinalReport.pdf>

H. SPECIAL REPORTS

1. **U. T. System Board of Regents: Historical presentation on Colonel George W. Brackenridge and the Brackenridge Tract**

REPORT

Mr. Jim Nicar, Director of the Texas Exes UT Heritage Society at U. T. Austin, will make a historical presentation on Colonel George W. Brackenridge, a former Regent who served on the Board from November 1886 to January 1911, August 1917 to January 1919, and from November 1920 until his death in December 1920. Colonel Brackenridge served as Chairman of the Board from February 1903 to June 1904, and served 25 years on the Board of Regents, the longest term recorded.

Mr. James S. Wilson, Campus Director of Real Estate at U. T. Austin, will make a presentation on the Brackenridge Tract in Austin, Texas.

2. **U. T. System: Report on assessments of institutional development operations**

REPORT

Vice Chancellor Safady will report on development operation assessments for the U. T. System institutions and will offer a PowerPoint presentation on Pages 1 - 7 in the Supplemental Materials (Volume 2) of the Agenda Book.

In 2004, Dr. Safady initiated a new, annual review of campus development operations and the preparation of a feedback report to offer each institution a framework for performance measurement and continuous improvement. With demand on U. T. institutions to increase philanthropic support, this new service aims to help each institution achieve its strategic objectives. This annual review is aligned with the goals of the U. T. System's comprehensive Accountability and Performance program.

3. **U. T. Austin: Update on Commission of 125 Recommendations**

REPORT

President Faulkner will provide an update on implementation of the recommendations of the Commission of 125.

## BACKGROUND INFORMATION

The Commission of 125 was a group of citizens convened during the 2001-2002 academic year, 125 years after the Constitution of 1876 mandated that Texas establish "a university of the first class" to express a vision of how The University of Texas at Austin can best serve Texas and the larger society during the next 25 years. The Commission of 125 published a report titled *A Disciplined Culture of Excellence - Report of the Commission of 125*. Mr. Kenneth M. Jastrow, II, Chairman of the Commission of 125 and Chairman and Chief Executive Officer of Temple-Inland, Austin, Texas, reported on the Commission's recommendations at the February 2005 Board meeting.

### I. ADJOURN



**TABLE OF CONTENTS  
FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW  
COMMITTEE**

**Committee Meeting: 11/9/2005**  
Austin, Texas

*Robert A. Estrada, Chairman*  
*Rita C. Clements*  
*Judith L. Craven, M.D.*  
*Cyndi Taylor Krier*  
*Robert B. Rowling*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE</b>			
1. <b>U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit</b>	9:30 a.m. <i>Chairman Estrada</i> 9:30 a.m. <b>Report</b> <i>Mr. Lenfant,</i> <i>Deloitte &amp; Touche</i>	Not on Agenda	<b>9</b>
2. <b>U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit</b>	9:40 a.m. <b>Report</b> <i>Mr. Richter,</i> <i>Ernst &amp; Young</i>	Not on Agenda	<b>9</b>
3. <b>U. T. System: Report on the System-wide Internal Audit Activities</b>	9:50 a.m. <b>Report</b> <i>Mr. Chaffin</i> <i>Ms. Barrett</i> <i>Mr. Rubel,</i> <i>UTSMC - Dallas</i> <i>Mr. Peters, UTEP</i>	Not on Agenda	<b>10</b>
4. <b>U. T. System: Annual Report on System-wide Institutional Compliance Program</b>	9:55 a.m. <b>Report</b> <i>Mr. Chaffin</i> <i>Mr. Givens</i> <i>Ms. Lyons,</i> <i>UTMDACC</i>	Not on Agenda	<b>11</b>

**Committee Meeting**

*10:00 a.m.*

**B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551**

**1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074**

U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of System and institutional employees involved in internal audit and compliance functions

**2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071**

**C. RECONVENE TO CONSIDER ANY ACTION FROM EXECUTIVE SESSION AND ADJOURN**

*10:30 a.m.*

1. **U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit**

REPORT

Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the progress and preliminary results of the U. T. System Financial Statement Audit for Fiscal Year 2005.

BACKGROUND INFORMATION

In November 2003, the U. T. System Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A Request for Qualifications (RFQ) was distributed by U. T. System staff in June 2004. Two proposals were received. After a review of the proposals and firm interviews by Audit, Compliance, and Management Review Committee, Chairman Estrada, and U. T. System staff, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP, at the July 16, 2004 Board of Regents' meeting. The contract, which terminates on April 1, 2006, provides U. T. System the option to renew for two additional one-year terms.

2. **U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit**

REPORT

Mr. Ricky Richter, Ernst & Young, LLP, will report on the results of the audit of the financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Short Term Intermediate Fund.

Due to the timing of the auditor's fieldwork, the Ernst & Young report or a summary of findings are not available at this time. A copy of Ernst & Young's report will be mailed separately in advance of the meeting and published on The University of Texas Investment Management Company (UTIMCO) website upon approval by the Audit, Compliance, and Management Review Committee.

## BACKGROUND INFORMATION

On July 7, 2003, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP to perform a financial audit of the funds managed by UTIMCO for the fiscal year ending August 31, 2003. The contract was for one year with a right to renew in one-year increments for four years. The Board renewed the auditing services contract with Ernst & Young, LLP for the first time on February 4, 2004, and the second time on February 10, 2005, to perform the 2005 financial audit of the funds managed by UTIMCO. The Board is required by Section 66.08 of the *Texas Education Code* to have an annual audit of the financial statements of the Permanent University Fund.

### **3. U. T. System: Report on the System-wide Internal Audit Activities**

#### REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Amy Barrett, Assistant Director for Audit, will report on System-wide audit activity for Fiscal Year 2005, including the status of significant audit recommendations.

The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 8 - 10 in the Supplemental Materials (Volume 2) of the Agenda Book. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Page 11 in the Supplemental Materials (Volume 2) of the Agenda Book.

Significant audit findings/recommendations are submitted to and tracked by the U. T. System Audit Office. Quarterly, the chief business officers are asked for the status of implementation, and the internal audit directors verify implementation. A summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant recommendations quarterly. The last summary report was sent on October 28, 2005.

Mr. Chaffin will then provide an update on external audit peer review activities at the institutions. Mr. Robert Rubel, Director of Internal Audits at U. T. Southwestern Medical Center - Dallas, and Mr. William Peters, Director of Auditing and Consulting Services at U. T. El Paso, will present the results of their recent institutional peer reviews.

4. **U. T. System: Annual Report on System-wide Institutional Compliance Program**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. David Givens, System-wide Compliance Supervisor, will brief the Audit, Compliance, and Management Review Committee on the annual report of the System-wide Compliance Program, as set forth on Pages 12 - 15 in the Supplemental Materials (Volume 2) of the Agenda Book. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on October 28, 2005.

Next, Mr. Chaffin will report on the overall number and types of compliance "hotline" calls that have been received System-wide during the 2005 Fiscal Year.

Mr. Chaffin will then provide an update on the peer review activities at the institutions. Ms. Carrie Lyons, Vice President and Chief Compliance Officer at U. T. M. D. Anderson Cancer Center, will present the results of their recent institutional peer review.



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

**Committee Meeting:** 11/9/2005

*Robert B. Rowling, Chairman  
John W. Barnhill, Jr.  
H. Scott Caven, Jr.  
Cyndi Taylor Krier  
Colleen McHugh*

**Board Meeting:** 11/10/2005  
Austin, Texas

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>4:30 p.m. Chairman Rowling</i>		
1. <b>U. T. System: Approval of <i>Docket No. 124</i></b>	Not on Agenda	<b>Action</b>	<b>12</b>
2. <b>U. T. System: Discussion of Strategic Financial Analysis</b>	<i>4:30 p.m. Discussion</i> <i>Dr. Kelley</i>	Not on Agenda	<b>12</b>
3. <b>U. T. System Board of Regents: Overview of U. T. System debt programs</b>	<i>4:45 p.m. Report</i> <i>Mr. Aldridge</i>	Not on Agenda	<b>13</b>
4. <b>U. T. System Board of Regents: Adoption of Liquidity Resolution for U. T. System debt programs and approval to process Security Purchase Agreement with The University of Texas Investment Management Company (UTIMCO)</b>	<i>4:55 p.m. Action</i> <i>Mr. Aldridge</i>	<b>Action</b>	<b>13</b>
5. <b>U. T. System Board of Regents: Approval of the Intermediate Term Fund Investment Policy Statement</b>	<i>5:00 p.m. Action</i> <i>Dr. Kelley</i>	<b>Action</b>	<b>15</b>
6. <b>U. T. System Board of Regents: Approval of The University of Texas System Allocation Policy for Non-Endowment Funds effective February 1, 2006</b>	<i>5:05 p.m. Action</i> <i>Dr. Kelley</i>	<b>Action</b>	<b>16</b>
7. <b>U. T. System Board of Regents: Approval to Amend the Short Term Fund Investment Policy Statement, the Liquidity Policy, and the Derivative Investment Policy</b>	<i>5:15 p.m. Action</i> <i>Dr. Kelley</i>	<b>Action</b>	<b>17</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. System Board of Regents: Investments Report for the quarter and fiscal year ended August 31, 2005, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report</b>	<i>5:20 p.m.</i> <b>Report</b> <i>Mr. Boldt</i>	<b>Report</b>	<b>19</b>
9. <b>U. T. System: Fiscal Year 2005 Energy Utility Task Force Report</b>	<i>5:25 p.m.</i> <b>Report</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>20</b>
<b>Adjourn</b>	<i>5:30 p.m.</i>		

1. **U. T. System: Approval of Docket No. 124**

**RECOMMENDATION**

It is recommended that *Docket No. 124*, beginning on Page Docket - 1, be approved. The Docket is printed on green paper at the back of Supplemental Materials (Volume 2) of the Agenda Book.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. **U. T. System: Discussion of Strategic Financial Analysis**

**PURPOSE**

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will present a Strategic Financial Analysis of the U. T. System using newly proposed quarterly Key Strategic Indicators to seek input on their usefulness to the Board. The PowerPoint presentation and the Key Strategic Indicators are set forth on Pages 16 - 29 and 30 - 36 of the Supplemental Materials (Volume 2) of the Agenda Book.

**KEY POINTS/POLICY ISSUES**

There are four key elements of strategic financial analysis:

- Monthly Financial Report and Analysis
- Quarterly Key Strategic Indicators
- Budget to Actual Comparisons
- Financial Modeling

This presentation will review the purposes of each of the above-mentioned elements and propose a new set of quarterly Key Strategic Indicators.

**BACKGROUND INFORMATION**

In July 2005, the Board asked that a review of the strategic financial analysis reporting be undertaken and potentially augmented.

3. **U. T. System Board of Regents: Overview of U. T. System debt programs**

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Finance and Planning Committee on the performance of the U. T. System debt programs for the five years ended August 31, 2005, following the PowerPoint presentation on Pages 37 - 48 of the Supplemental Materials (Volume 2) of the Agenda Book.

4. **U. T. System Board of Regents: Adoption of Liquidity Resolution for U. T. System debt programs and approval to process Security Purchase Agreement with The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Liquidity Resolution covenanting to provide internal liquidity support for certain notes and bonds issued by the U. T. System and approving a related Security Purchase Agreement with The University of Texas Investment Management Company (UTIMCO), substantially in the form before the Board on Pages 14.1 - 14.9, relating to the U. T. System's variable rate note and bond programs; and
- b. authorize the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, and the Director of Finance to take any and all actions necessary to carry out the authorization in (a) above.

BACKGROUND INFORMATION

In the resolutions authorizing variable rate note and bond programs, the U. T. System Board of Regents has covenanted, at all times while any notes or bonds are outstanding, to provide liquidity support in the unlikely event that the remarketing agent cannot remarket the notes or bonds. Although the Board has never experienced a failed remarketing of its debt, this Liquidity Resolution provides assurances to the financial markets that the Board will use its eligible resources to purchase its debt in the unlikely event that the debt cannot be sold in the marketplace.

In November 1993, the Board began providing internal liquidity support for a portion of its variable rate debt programs in lieu of securing external bank liquidity. Since November 2002, the Board has provided internal liquidity support for all U. T. System variable rate debt programs. The U. T. System saves an estimated \$1,250,000 annually by providing internal liquidity versus external bank liquidity. If UTIMCO were to ever purchase any unremarketed notes or bonds, the notes or bonds purchased would bear interest at rates equal to taxable commercial paper with similar credit ratings until such time as the bonds or notes could be remarketed as provided in the resolutions.

In accordance with the impending centralized management of operating funds, existing internal liquidity agreements between the Board and UTIMCO require revision. Adoption of the proposed Liquidity Resolution and the related Security Purchase Agreement will ensure the Board's ongoing commitment to provide liquidity support and will streamline the commitment by means of a single security purchase agreement with UTIMCO as opposed to the multiple agreements currently in place.

The proposed Liquidity Resolution and Security Purchase Agreement have been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

**A RESOLUTION** covenanting to use lawfully available funds to purchase Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A (the “Notes”) and other Obligations of the Board of Regents (the “Board”) of The University of Texas System tendered for purchase or maturing and not remarketed or reissued; approving and authorizing certain authorized officers and employees to act on behalf of the Board in the execution of a related Security Purchase Agreement; and reciting that this Resolution constitutes a “Credit Agreement” for purposes of the Board’s resolution authorizing the Notes.

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**WHEREAS**, on November 13, 2002, the Board of Regents (the “Board”) of The University of Texas System adopted an amended and restated resolution (the “Note Resolution”) approving and authorizing the issuance of its Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A, in an amount at any one time outstanding of not to exceed \$400,000,000 (the “Notes”); and

**WHEREAS**, the Board, in Section 6.04(a) of the Note Resolution, covenanted and agreed that at all times while there are outstanding Notes, it will maintain one or more Credit Agreements (as defined in the Note Resolution) in amounts such that, assuming that all then outstanding Notes were to be tendered for purchase, the amount available to be drawn under the Credit Agreements would be sufficient at that time to pay the purchase price therefor at an amount equal to the principal of all such Notes; and

**WHEREAS**, Section 6.04(b) of the Note Resolution provides that a Credit Agreement may be a resolution adopted by the Board pursuant to which the Board covenants to provide liquidity support for the Notes by using lawfully available funds to purchase Notes tendered for purchase and not remarketed, which resolution recites that it constitutes a “Credit Agreement” for purposes of the Note Resolution; and

**WHEREAS**, pursuant to the Board's Revenue Financing System, the Board has also issued its variable rate demand bonds and established commercial paper programs (the "RFS Obligations"); and

**WHEREAS**, the Board desires to provide liquidity support for the Notes and the RFS Obligations and in furtherance of such desire, the Board and The University of Texas Investment Management Company (“UTIMCO”) desire to enter into a certain Security Purchase Agreement substantially in the form attached hereto and incorporated herein, pursuant to which UTIMCO, as agent of the Board and investment manager of funds under the control and management of the Board, will agree, subject to the conditions and limitations set forth therein, to purchase, as an investment of funds of the Board, Notes and RFS Obligations that cannot be remarketed or reissued as provided for in the Note Resolution or the respective Resolution authorizing the RFS Obligations, as the case may be;

**NOW, THEREFORE BE IT RESOLVED**, that the Board covenants and agrees to provide liquidity support for the Notes and the RFS Obligations by using lawfully available funds to purchase Notes and RFS Obligations tendered for purchase or maturing and not reissued; and

**BE IT FURTHER RESOLVED**, that an Authorized Representative (as defined in the Note Resolution) is hereby authorized to execute and deliver a Security Purchase Agreement, pursuant to which UTIMCO will agree, subject to the conditions and limitations set forth therein, to purchase, as an investment of funds of the Board, Notes and RFS Obligations that cannot be remarketed or reissued as provided for in the Note Resolution or the respective Resolution authorizing the RFS Obligations, as the case may be;

**BE IT FURTHER RESOLVED**, that upon satisfaction of the requirements of Section 6.04(c) of the Note Resolution, this Resolution shall constitute a “Credit Agreement” for purposes of the Note Resolution; whereupon, the Board’s resolution adopted on November 13, 2002, approving, in part, a “Note Purchase Agreement” between the Board and UTIMCO, shall be rescinded.

**PASSED AND ADOPTED**, this the 10th day of November, 2005.

ATTEST:

\_\_\_\_\_  
Counsel and Secretary to the Board

\_\_\_\_\_  
Chairman of the Board

(Seal)

SECURITY PURCHASE AGREEMENT

dated as of

November 10, 2005

between

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

and

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY  
as Investment Manager of funds under the control and management of the  
Board of Regents of The University of Texas System

## SECURITY PURCHASE AGREEMENT

This Security Purchase Agreement is dated as of November 10, 2005, between the Board of Regents (the "Board") of The University of Texas System (the "System") and The University of Texas Investment Management Company ("UTIMCO"), as agent of the Board and investment manager of funds under the control and management of the Board.

### RECITALS

WHEREAS, the System currently has outstanding certain commercial paper notes, flexible rate notes and variable rate revenue bonds specifically described in Exhibit A attached hereto (such notes and bonds, and any additional notes or bonds added to Exhibit A pursuant to an amendment to this Agreement under the terms and conditions set forth herein, the "Notes and Bonds"), issued and outstanding in the respective principal amounts and pursuant to the respective Resolutions (each a "Resolution" and collectively, the "Resolutions"), set forth on Exhibit A, as hereafter amended; and

WHEREAS, UTIMCO is to provide a standby purchase commitment to provide liquidity for the Board's obligation under the respective Resolutions to purchase the Notes and Bonds upon their tender or maturity in accordance with the Resolutions while any of the Notes and Bonds are outstanding; and

WHEREAS, the Board and UTIMCO desire to enter into a procedural agreement whereby UTIMCO will agree to purchase on behalf of the Board and as an investment for certain funds of the Board managed by UTIMCO, Notes and Bonds that cannot be remarketed or refunded as provided for in the Resolutions and for which other moneys of the System have not been made available; and

NOW THEREFORE, the parties hereto agree as follows:

#### **Section 1. Definitions.**

The terms defined below have the following meanings when used herein unless the context shall indicate a contrary meaning:

"Agreement" shall mean this Security Purchase Agreement, as from time to time amended or supplemented.

"Authorized Representative" shall mean in the case of the Board, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance or the Director of Finance, or such other officer or employee of the System authorized to act as an Authorized Representative of the Board and in the case of UTIMCO, the President and Chief Executive Officer of UTIMCO, or such other officer or employee of UTIMCO authorized to act as an Authorized Representative of UTIMCO.

"Board" shall mean the Board of Regents of The University of Texas System.

"Board Purchase Date" shall have the meaning set forth in Section 5 hereof.

“Bond” or “Bonds” shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to a Bond Resolution.

“Bond Resolution” shall mean a Resolution adopted by the Board, approving and authorizing the issuance of the Bonds.

“Business Day” shall mean any day (i) when banks are open for business in Austin, Texas and (ii) when banks are not authorized to be closed in New York, New York.

“Commitment Period” shall mean the period from the Effective Date to but not including the Commitment Termination Date.

“Commitment Termination Date” shall mean the final maturity date of any Notes or Bonds described in Exhibit A, as hereafter amended.

“Effective Date” shall mean November 10, 2005.

“Maximum Interest Rate” shall mean the lesser of (a) fifteen percent (15%) per annum and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, or any successor provision).

“Note” or “Notes” shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to a Note Resolution.

“Note Resolution” shall mean a Resolution adopted by the Board, approving and authorizing the issuance of the Notes.

“Notice of Purchase” shall mean that notice completed and executed by an Authorized Representative of the Board in substantially the form attached hereto as Exhibit B, which notice shall serve as a written request for UTIMCO to purchase Notes or Bonds as investments in the manner set forth in this Agreement.

“Paying Agent” shall mean the respective agent appointed pursuant to the related Resolution, or any successor to such agent as provided in Exhibit A, as hereafter amended.

“Proposed Purchase Date” shall have the meaning set forth in Section 3 hereof.

“Purchase Date” shall mean the date specified by the Board pursuant to Section 3 of this Agreement as the date on which UTIMCO will purchase Notes or Bonds upon their tender or maturity in accordance with the Resolutions, which date shall be a Business Day.

“Remarketing Agent” shall mean the respective dealer or remarketing agent selected from time to time by the Board to remarket Notes or Bonds in accordance with the related Resolution.

“System” shall mean The University of Texas System.

“UTIMCO” shall mean The University of Texas Investment Management Company.

**Section 2. Commitment to Purchase Notes and Bonds.**

UTIMCO agrees that as agent of and on behalf of the Board, it will, during the Commitment Period, on the terms and conditions and subject to the limitations set forth in this Agreement, purchase Notes and Bonds as investments of funds of the Board from time to time in amounts up to, but not exceeding, the aggregate principal amount of Notes and Bonds outstanding as provided in Exhibit A, as hereafter amended, in the event a Remarketing Agent has been unable to remarket or refund Notes or Bonds in accordance with the terms of the Resolutions.

**Section 3. Method of Purchase.**

By not later than 11:00 a.m. Central Time on the date of a proposed purchase hereunder (the "Proposed Purchase Date"), an Authorized Representative of the Board shall submit a purchase request to an Authorized Representative of UTIMCO specifying the amount of Notes or Bonds to be purchased. A purchase request shall be made by delivery of a completed and executed Notice of Purchase or by telephonic notice confirmed as soon as possible by delivery or telecopy of a completed and signed Notice of Purchase, provided that such purchase request shall not be conditioned upon the receipt of the confirming Notice of Purchase.

UTIMCO shall make available, in federal or other immediately available funds, to the respective Paying Agent, the funds necessary to fund such purchase at or prior to 1:30 p.m. Central Time on the Purchase Date, in which event the purchase price shall be principal amount of such purchased Notes or Bonds plus interest accrued with respect thereto to the purchase date.

**Section 4. Interest Rates.**

Each Note or Bond purchased by UTIMCO, as agent of and on behalf of the Board, pursuant to this Agreement shall be an investment of the fund in which it is purchased and shall bear interest on the principal amount at a rate equal to the rate on taxable commercial paper issued by a major corporate issuer bearing a nationally recognized securities rating agency credit rating equivalent to that of the Note or Bond as agreed to by Authorized Representatives of UTIMCO and the Board.

If the rate of interest applicable to a purchased Note or Bond when determined in the paragraph above would exceed the Maximum Interest Rate, then the applicable rate shall be reduced to the Maximum Interest Rate.

**Section 5. Extension or Modification of Agreement.**

This Agreement may not be extended or modified unless agreed to in writing by Authorized Representatives of the Board and UTIMCO.

**Section 6. Prior Agreements Superseded.**

Upon the execution and delivery of this Agreement, all prior agreements between the Board and UTIMCO relating to UTIMCO's purchase of Notes and Bonds not remarketed or refunded in accordance with the terms of the Resolutions are terminated.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE UNIVERSITY OF TEXAS INVESTMENT  
MANAGEMENT COMPANY,

By: \_\_\_\_\_  
President and Chief Executive Officer

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By: \_\_\_\_\_  
Associate Vice Chancellor for Finance

EXHIBIT A

Note or Bond Program	Authorized Amount	Date of Resolution	Maximum Maturity Date	Paying Agent
RFS Commercial Paper Notes, Series A	\$750,000,000	August 8, 2002	April 1, 2020	Deutsche Bank Trust Company Americas 60 Wall Street 27th Floor - MS NYC60-2715 New York, NY 10005 Attn: Michele Russo Ph. 212-250-2226
RFS Taxable Commercial Paper Notes, Series B	\$50,000,000	May 13, 2004	April 1, 2025	Deutsche Bank Trust Company Americas 60 Wall Street 27th Floor - MS NYC60-2715 New York, NY 10005 Attn: Michele Russo Ph. 212-250-2226
RFS Bonds, Series 2001A	\$85,000,000	February 11, 1999	August 15, 2013	Deutsche Bank Trust Company Americas 60 Wall Street 27th Floor - MS NYC60-2715 New York, NY 10005 Attn: Michele Russo Ph. 212-250-2226
PUF Flexible Rate Notes, Series A	\$400,000,000	November 13, 2002	May 15, 2030	Deutsche Bank Trust Company Americas 60 Wall Street 27th Floor - MS NYC60-2715 New York, NY 10005 Attn: Michele Russo Ph. 212-250-2226

EXHIBIT B

NOTICE OF PURCHASE

TO: The University of Texas Investment Management Company

FROM: Board of Regents of The University of Texas System

The University of Texas System, acting herein by the undersigned Authorized Representative, pursuant to the Security Purchase Agreement dated as of November 10, 2005, between the Board of Regents of The University of Texas System and The University of Texas Investment Management Company, as Investment Manager of funds under the control and management of the Board, issues this notice for a Purchase to be made under the Security Purchase Agreement as follows:

1. Proposed Purchase Date (which shall be a Business Day):

\_\_\_\_\_;

2. Principal Amount to be Purchased plus Accrued Interest Thereon:

\_\_\_\_\_;

Funds to purchase Notes or Bonds as provided in the Security Purchase Agreement, should be available for the account of holders of the Notes or Bonds at the Paying Agent by no later than 1:30 p.m. Central Time.

Date of this Notice  
of Purchase: \_\_\_\_\_

BOARD OF REGENTS OF THE UNIVERSITY  
OF TEXAS SYSTEM

By: \_\_\_\_\_  
Authorized Representative

5. **U. T. System Board of Regents: Approval of the Intermediate Term Fund Investment Policy Statement**

**RECOMMENDATION**

The Chancellor and the Executive Vice Chancellor for Business Affairs recommend that the U. T. System Board of Regents approve the U. T. System Intermediate Term Fund (ITF) Investment Policy Statement as presented on Pages 15.1 - 15.11.

**BACKGROUND INFORMATION**

The U. T. System Board of Regents (Board), at the July 8, 2005 meeting, authorized the centralization of management of the U. T. System operating reserves. The ITF Investment Policy Statement is proposed to establish the ITF as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets under the sole control of the Board, as a fiduciary with full discretion as to investments. Investment policies are the responsibility of the Board. The ITF shall be managed by The University of Texas Investment Management Company (UTIMCO) in conformity with the ITF Investment Policy Statement, with authority delegated by the Board pursuant to the Investment Management Services Agreement with UTIMCO.

UTIMCO staff and U. T. System staff have collaborated in the development of the recommended ITF Investment Policy Statement. The proposed ITF Investment Policy Statement is substantially in the form approved by the UTIMCO Board of Directors on October 7, 2005, with the "Investment Objectives" section expanded to clarify and specify (as shown on Pages 15.2 - 15.3)

1. The primary investment objective is to preserve purchasing power by earning a net return of at least inflation plus 3%, measured over rolling three-year periods.
2. The secondary objective is to generate a net return in excess of the approved Policy Portfolio benchmark return over rolling three-year periods.
3. Prudent diversification within each approved asset class, and a portfolio risk profile within the approved Policy Portfolio risk range (measured monthly) must be maintained.

## **THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT**

### **Purpose and Structure**

The University of Texas System Intermediate Term Fund (ITF) was established by the Board of Regents of The University of Texas System (Board of Regents) as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

### **ITF Organization**

The ITF functions as a mutual fund in which each eligible account purchases and redeems ITF units as provided herein. The ownership of ITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

### **ITF Management**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

Ultimate fiduciary responsibility for the ITF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), the ITF shall be managed by UTIMCO, which shall a) recommend investment policy for the ITF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including

11/10/05

changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

### **ITF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of ITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase ITF Units**

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

### **ITF Investment Objectives**

~~The investment objective shall be to earn annual returns over inflation (as measured by the Consumer Price Index) plus 3%, as measured over five-year rolling periods at risk levels below the PUF and General Endowment (the "GEF").~~

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%. The ITF's success in meeting this objective depends upon its ability to generate higher returns in periods of low inflation that will offset lower returns generated in years when the capital markets under-perform the rate of inflation.

The secondary ITF objective is to generate a return, net of all direct and allocated expenses, measured monthly by the independent custodian and reported at least quarterly, in excess of the approved Policy Portfolio benchmark over rolling three-year periods. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices reported by the independent custodian and weighted to reflect ITF's approved asset allocation policy targets as defined in Exhibit A.

Limiting factors are that prudent diversification within each approved asset class must be maintained at all times; and a portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, must be sustained at all times. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

### **Asset Allocation and Policy**

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The asset allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

ITF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. U.S. Equities – U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.
- B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets.

Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

Non-U.S. Developed Equity – Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All – Country World Equity Index – excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.

Emerging Markets Equity – Emerging markets equities represent ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

- C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage, event driven strategies, and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income, and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund

investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

- D. **Inflation Linked** – Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:

**REITS** – REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

**Commodities** – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

**TIPS** - TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

- E. **Fixed Income** – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.
- F. **Cash and Cash Equivalents** – Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

### **Performance Measurement**

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated investment benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

### **Investment Guidelines**

The ITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

## General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of ITF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the ITF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

## Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Highly liquid internal pooled investment funds managed by UTIMCO.

11/10/05

- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- ITF's custodian late deposit interest bearing liquid investment fund.
- Municipal short-term securities.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve
- Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the ITF custodian bank. Tri-party collateral arrangements are not permitted.
  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the ITF's fixed income assets.
  - Overnight repurchase agreements may not exceed 25% of the ITF's fixed income assets.
- Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.

### Fixed Income

#### Domestic Fixed Income

Permissible securities for investment include the securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component

11/10/05

categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

- 1) Government securities: Treasury and Agency;
- 2) Corporate securities: Industrial, Finance, Utility, and Yankee;
- 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
- 4) Asset-backed securities;
- 5) Taxable Municipal securities; and
- 6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

- a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
  - b) Medium term notes issued by investment grade corporations;
  - c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
  - d) Structured notes issued by LBAGG qualified entities.
- U. S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition. An external investment manager may be authorized by the terms of an investment advisory agreement to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.
  - Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.

#### Non-U.S. Fixed Income

Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U. S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 50% of the ITF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.
- Not more than 15% of the ITF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

## Equities

The ITF shall:

- Hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market, or
- Hold no more than 5% of its equity securities in the securities of one corporation at cost.

## **ITF Accounting**

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Government Accounting Standards Board Statements, Financial Accounting Standards Board Statements, or industry guidelines, whichever is applicable. The ITF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

## **Valuation of ITF Assets**

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the ITF's net assets shall include all related receivables and payables of the ITF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

## **ITF Distributions**

There will not be any planned distributions from the ITF. The earnings of the ITF will be reflected in the net asset value per unit of the ITF.

## **Purchase and Redemption of ITF Units**

The ITF participants may purchase units on the first business day of each month upon payment of cash to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

11/10/05

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

### **Securities Lending**

The ITF may participate in a securities lending contract with a bank or non-bank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to ensure compliance with contract provisions.

### **Investor Responsibility**

As a shareholder, the ITF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the ITF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the ITF solely in the interest of ITF unit-holders, in compliance with the Proxy Voting Policy, and shall not invest the ITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be November 10, 2005, except for Exhibit A. Adherence to the policy targets and ranges may not be fully effective throughout the first six months after initial funding (expected February 1, 2006) as new portfolio investments are phased in. The selection of the effective date of Exhibit A, to be no later than September 1, 2006, shall be determined by UTIMCO's Chief Investment Officer and notification to the Chairmen of the UTIMCO Board and the Board of Regents shall occur at least 30 days prior to the effective date.

11/10/05

**EXHIBIT A**

**INTERMEDIATE TERM FUND  
POLICY TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**

Asset Categories	Percent of Policy (%)		Benchmarks
	Policy Targets	Policy Ranges	
<b>U. S. Equities</b>	<b>15</b>	<b>5 to 20</b>	<b>Russell 3000 Index</b>
<b>Global ex U. S. Equities</b>	<b>10</b>	<b>0 to 15</b>	
Non - U. S. Developed Equity	5	0 to 10	MSCI EAFE Index with net dividends
Emerging Markets Equities	5	0 to 10	MSCI Emerging Markets Index with net dividends
<b>Hedge Funds</b>	<b>25</b>	<b>10 to 27.5</b>	
Directional Hedge Funds	12.5	5 to 20	Combination index: 50% S&P Event-Driven Hedge Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	12.5	5 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
<b>Inflation Linked</b>	<b>25</b>	<b>10 to 35</b>	
REITS	10	0 to 15	Dow Jones Wilshire Real Estate Securities Index
Commodities	5	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10	5 to 15	Lehman Brothers US TIPS Index
<b>Fixed Income</b>	<b>25</b>	<b>15 to 40</b>	<b>Lehman Brothers Aggregate Bond Index</b>
<b>Cash</b>	<b>0.0</b>	<b>0 to 20</b>	<b>90 Day T-Bills</b>

Expected Annual Return (%)	7.08
1 yr Downside Deviation (%)	-5.0
Standard Deviation (%)	7.5

		% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	-6.4	127%
Lower Risk Bound: 1 yr Downside Deviation (%)	-3.5	69%

11/10/05

6. **U. T. System Board of Regents: Approval of The University of Texas System Allocation Policy for Non-Endowment Funds effective February 1, 2006**

**RECOMMENDATION**

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation that the U. T. System Board of Regents approve a proposed policy titled "The University of Texas System Allocation Policy for Non-Endowment Funds" (Allocation Policy). The Allocation Policy, proposed to be effective February 1, 2006, is set forth on Pages 16.1 - 16.2.

**BACKGROUND INFORMATION**

The Allocation Policy is intended to ensure that sufficient liquidity is available at all times to meet the needs of the U. T. System institutions and System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the non-endowment funds.

Eligible U. T. System institutions with at least \$5 million of non-endowment funds on the last day of a calendar month and a current financial condition rating from the U. T. System Administration Office of the Controller of "Watch" or better will invest in the Intermediate Term Fund pursuant to the Allocation Policy. In general, 85% of an institution's non-endowment funds are to be invested in the Intermediate Term Fund. Exceptions for funds that would otherwise be invested pursuant to the Allocation Policy may be made only with the approval of the Executive Vice Chancellor of Business Affairs or the Associate Vice Chancellor for Finance.

## **The University of Texas System Allocation Policy for Non-Endowment Funds**

### **Purpose**

The University of Texas System Allocation Policy for Non-Endowment Funds (“Allocation Policy”) is intended to ensure that sufficient liquidity is available at all times to meet the needs of the institutions and System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the Non-Endowment funds. Eligible Institutions with at least \$5 million of Non-Endowment Funds on the last day of a calendar month and a current financial condition rating from the System Administration Office of the Controller of “Watch” or better will invest in the Intermediate Term Fund (“ITF”) pursuant to this policy. Exceptions for funds that would otherwise be invested pursuant to this policy may be made only with the approval of an Authorized Representative.

### **Allocation and Rebalancing**

At the beginning of each month, each institution shall have a minimum of \$5 million invested in the Short Term Fund (“STF”). The target allocation for Non-Endowment Funds in excess of \$5 million held by Eligible Institutions shall be 15% in the STF and 85% in the ITF. Institutions that are ineligible to invest in the ITF shall be 100% invested in the STF. If an institution ceases being an Eligible Institution as measured on the last day of any month, then it must rebalance such that 100% of its Non-Endowment Funds are in the STF, unless prior approval is obtained from an Authorized Representative.

Eligible Institutions are required to rebalance when the projected allocation to the STF at month-end is less than 10% or greater than 20% of the institution’s Non-Endowment Funds, or when a cash inflow or outflow is scheduled to occur during the next calendar month that is likely to result in the institution having less than 10% or more than 20% of its Non-Endowment Funds in the STF at the end of the next calendar month. Each Chief Business Officer is responsible for rebalancing to ensure the institution’s Non-Endowment Funds are within this target range, which will be reviewed on a monthly basis by the System Administration Office of Finance. At least five days prior to the end of each month, each institution should check its balance in the STF and the ITF to determine if rebalancing will be necessary. If necessary, ITF transactions should be initiated on or before the last business day of the month. ITF transactions will be effective on the first day of the following month. For transactions greater than \$10 million (redemptions or withdrawals), the institution should provide notice to The University of Texas Investment Management Company (UTIMCO) at least five days in advance to facilitate UTIMCO’s ability to transact efficiently.

## Sharing of Investment Returns

If the total investment return on the ITF in a fiscal year is in excess of the primary national Consumer Price Index ("CPI-U") published by the Bureau of Labor Statistics plus 3.0%, then the amount in excess of the CPI-U plus 3.0% will be split, with 90% of the excess return being retained by the institutions and 10% being distributed to System Administration. Any funds distributed to System Administration will be used exclusively for strategic initiatives that benefit the institutions, and all expenditures of the funds by System Administration will require approval of the Board of Regents.

No excess returns will be distributed to System Administration unless the cumulative total investment return of the ITF, measured from the inception date of this policy through the most recent fiscal year end, is in excess of the monthly compounded cumulative return of the CPI-U plus 3.0% for the same period.

## Definitions

**Authorized Representative** – The Executive Vice Chancellor for Business Affairs at System Administration or the Associate Vice Chancellor for Finance at System Administration.

**Eligible Institutions** – Institutions with at least \$5.0 million of Non-Endowment Funds on the last day of a month and a current financial condition rating from the System Administration Office of the Controller of "Watch" or better.

**Intermediate Term Fund (ITF)** – The ITF is a pooled fund for the investment of Non-Endowment funds that are not required to be invested in the Short Term Fund. Refer to the ITF Investment Policy for more information.

**Non-Endowment Funds** – Non-Endowment Funds include all non-endowment monies owned by the Board of Regents or under the control of the Board of Regents. Funds that are legally required to be invested elsewhere, such as funds held at the State Treasury and certain trust funds, are excluded from this policy. Due to Internal Revenue Service restrictions governing tax-exempt debt such as yield restriction and spend-out requirements, debt-related funds are also specifically excluded from this policy. Exceptions for Non-Endowment funds that would otherwise be invested pursuant to this policy may be made only with the approval of an Authorized Representative.

**Short Term Fund (STF)** – The STF is an institutional money market mutual fund, currently the Dreyfus Institutional Preferred Money Market Fund (Dreyfus Fund). The STF provides daily liquidity and safety of principal by investing in short-term money market obligations. Refer to the STF Investment Policy for more information.

7. **U. T. System Board of Regents: Approval to Amend the Short Term Fund Investment Policy Statement, the Liquidity Policy, and the Derivative Investment Policy**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the proposed changes to the Short Term Fund Investment Policy Statement, the Liquidity Policy, and the Derivative Investment Policy as set forth on Pages 18.1 - 18.17 and referenced in the Background Information of this item.

These policy amendments were approved by the UTIMCO Board on October 7, 2005, in substantially the form as set forth on Pages 18.1 - 18.17.

BACKGROUND INFORMATION

Amendments to the Investment Policies are authorized by Section 3(a) of the Investment Management Services Agreement dated September 1, 2005, between the Board of Regents of The University of Texas System and UTIMCO. Section 3(a) provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes to such policies for approval by the U. T. System Board of Regents. No amendments to the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Short Intermediate Term Fund (SITF), or Separately Invested Accounts (SIA) Investment Policy Statements are being recommended at this time.

Proposed amendments to the Short Term Fund (STF) Investment Policy Statement are summarized below:

- Include language to clarify when the funds of foundations may invest in the STF.
- Clarify definition of Cash and Cash Equivalents.
- Remove derivative language since derivatives will not be used in the STF.
- Remove eligible investment language.

The Liquidity Policy and Derivative Investment Policy are proposed for amendment to include the new Intermediate Term Fund (ITF) (see Item 5 on Page 15). The ITF is proposed as a pooled operating fund for the collective investment of operating funds and other intermediate and long-term funds held by the U. T. System institutions and System Administration. The Liquidity Policy and Derivative Investment Policy supplement, but do not supersede, the Investment Policy Statements for the PUF, GEF, and ITF.

The Derivative Investment Policy is also being proposed for amendment to:

- Expand the scope covering external managers operating under agency agreements;
- Expand and clarify the controls related to counterparty risk associated with over-the-counter derivative transactions;
- Include a global risk limitation to prohibit any internal or external agency derivative transaction from causing the aggregate risk exposure of the PUF, the GEF, and/or the ITF to exceed the risk limits set by the respective approved asset allocation policies;
- Include a section on risk management procedures and compliance; and
- Include a section expanding the derivative reporting requirements to the UTIMCO Board.

These amendments to the Derivative Investment Policy represent a significant refinement in the oversight of U. T. System investment portfolios, utilizing UTIMCO's expanding risk management capabilities. Review of this Policy will continue in the future, consistent with industry best practices.

**THE UNIVERSITY OF TEXAS SYSTEM  
SHORT TERM FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Short Term Fund (the "STF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System component institutions and System Administration with an investment horizon of less than one year.

**STF Organization**

The STF functions like a mutual fund in which each eligible account purchases and redeems STF units as provided herein. The ownership of STF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

**STF Management**

Article VII Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the STF.

Ultimate fiduciary responsibility for the STF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the STF shall be managed by UTIMCO, which shall: a) recommend investment policy for the STF, b) determine specific asset allocation targets, ranges

and performance benchmarks consistent with STF objectives, and c) monitor STF performance against STF objectives. UTIMCO shall invest the STF assets in conformity with this Policy Statement.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

### **STF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of STF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase STF Units**

No account shall be eligible to purchase units of the STF unless it is under the sole control, with full discretion as to investments, by the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the STF.

The funds of a foundation ~~which is~~ structured as a supporting organization described in Section 509(a) of the *Internal Revenue Code* of 1986, which supports the activities of the U. T. System and its ~~component~~ institutions, may purchase units in the STF provided that a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF.:

- ~~A. the purchase of STF units by foundation funds is approved by UTIMCO's chief investment officer;~~
- ~~B. all members of the foundation's governing board are also members of the Board of Regents;~~
- ~~C. the foundation has the same fiscal year as the STF;~~
- ~~D. a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF; and~~
- ~~E. no officer of such foundation, other than members of the Board of Regents, the Chancellor, UTIMCO's chief investment officer or his or~~

~~her delegate shall have any control over the management of the STF other than to request purchase and redemption of STF units.~~

### **STF Investment Objectives**

The primary investment objective shall be to maximize current income consistent with the absolute preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a net asset value of \$1.00.

Achievement of this objective shall be defined as a fund return in excess of the average gross return of the median manager of an approved universe of institutional only money market funds.

### **Asset Allocation**

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

STF assets shall be allocated to the following broad asset class:

~~Cash and Cash Equivalents -- Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value. ~~are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation.~~ ~~Cash equivalents provide good liquidity under both deflation and inflation conditions.~~~~

### **Performance Measurement**

The investment performance of the STF will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the performance benchmarks of the STF. Such measurement will occur at least quarterly.

### **Investment Guidelines**

The STF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

#### General

- All investments will be U.S. dollar denominated assets.

- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of STF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the STF's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- ~~The STF may utilize derivative securities with the approval of the UTIMCO Board to: a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) to index or to hedge risks associated with STF investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of STF assets are required as an initial margin deposit for such contacts; and iii) the STF's investments in warrants shall not exceed more than 5% of the STF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.~~
- ~~Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.~~
- ~~UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the STF and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the STF's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. Derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the STF.~~
- ~~In the event that there are no derivative securities traded on a particular market index, the STF may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce~~

~~any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.~~

- ~~•UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the STF will not be able to meet its obligation to the counterparty by investing the STF in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.~~

### Eligible Investments

~~The weighted average maturity of the portfolio shall not be more than 60 days. Individual securities shall have a remaining maturity not longer than 397 days. The maturity of a portfolio security shall be deemed to be the period remaining (calculated from the trade date or such other date on which the STF's interest in the security is subject to market action) until the date noted on the face of the security as the date on which the principal amount must be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, except that: a) a variable rate security, the principal amount of which is scheduled on the face of the security to be paid in 397 days or less, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate; b) a variable rate security that is subject to a demand feature shall be deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand; c) a floating rate security that is subject to a demand feature shall be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand; d) a repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where no date is specified, but the agreement is subject to a demand, the notice period applicable to a demand for the repurchase of the securities. A demand feature shall mean a put that entitles the holder to receive the principal amount of the underlying security or securities and that may be exercised either at any time on no more than 30 days notice or at specified intervals not exceeding 397 days and upon no more than 30 days notice.~~

### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA<sub>M</sub> by Standard & Poor's Corporation.

- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.
- Floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.
  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.
  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.
  - Overnight repurchase agreements may not exceed 50% of the STF's total assets.

Fixed Income

Holdings of eligible fixed income derivative securities shall be limited by the following guidelines:

- ~~With prior written approval of the UTIMCO Board, the Portfolio Manager may enter into derivatives transactions utilizing exchange traded fixed income futures contracts or options on fixed income futures contracts, provided that such derivatives transactions are designed to control duration or manage risk.~~
- ~~Such derivatives transactions shall be established on a case-by-case basis. These contracts shall include but shall not be limited to Fed Fund Futures, Eurodollar Futures, or Treasury Bill Futures, provided that the futures exchanges are rated AAA or the equivalent as determined by UTIMCO.~~
- ~~Such derivatives shall be priced daily.~~
- ~~Market risk shall be measured in dollar duration equivalent values or, in the case of options, in delta or percentage of equivalent futures contracts.~~
- ~~For the purpose of this policy Collateralized Mortgage Obligations (“CMOs”) are considered to be Mortgage Backed Securities (“MBS”), not derivatives.~~

### **STF Distributions**

Distributions of income from the STF to the unitholders shall be made as soon as practicable on or after the last day of each month.

### **STF Accounting**

The fiscal year of the STF shall begin on September 1st and end on August 31st. Market value of the STF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board.

### **Valuation of Assets**

All investments are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is neither ~~not~~ guaranteed nor insured by UTIMCO.

The STF's net assets shall include all related receivables and payables of the STF on the valuation date, and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

### **Purchase of STF Units**

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value ~~\$1.00~~ per unit of the STF as of the most recent valuation date.

Each account whose monies are invested in the STF shall own an undivided interest in the STF in the proportion that the number of units invested therein bears to the total number of all units comprising the STF.

### **Redemption of STF Units**

Redemption of units may be made on each business day at the net asset value ~~\$1.00~~ per unit.

### **Securities Lending**

The STF may not participate in a securities lending contract with a bank or nonbank security lending agent.

### **Investor Responsibility**

The UTIMCO Board shall discharge its fiduciary duties with respect to the STF solely in the interest of STF unitholders and shall not invest the STF so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be ~~August 12, 2004~~ November 10, 2005.

# The University of Texas Investment Management Company

## Liquidity Policy

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Effective Date of Policy: ~~November 10, 2005~~ August 11, 2005  
Original Effective Date of Policy: August 7, 2003

### **Purpose:**

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, “liquidity” is defined as a measure of the ability of an investment position to be converted into a cash position. The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policies adopted by the U. T. System Board of Regents.

### **Objective:**

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

### **Scope:**

This Liquidity Policy applies to all PUF, ~~and~~ GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

### **Definition of Liquidity Risk:**

“Liquidity risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to cash (or cash equivalents). Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

### **Liquidity Risk Measurement-The Liquidity Profile:**

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to cash within a period of one day to three months in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%.

The measurements necessary to segregate all investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the

# The University of Texas Investment Management Company

## Liquidity Policy

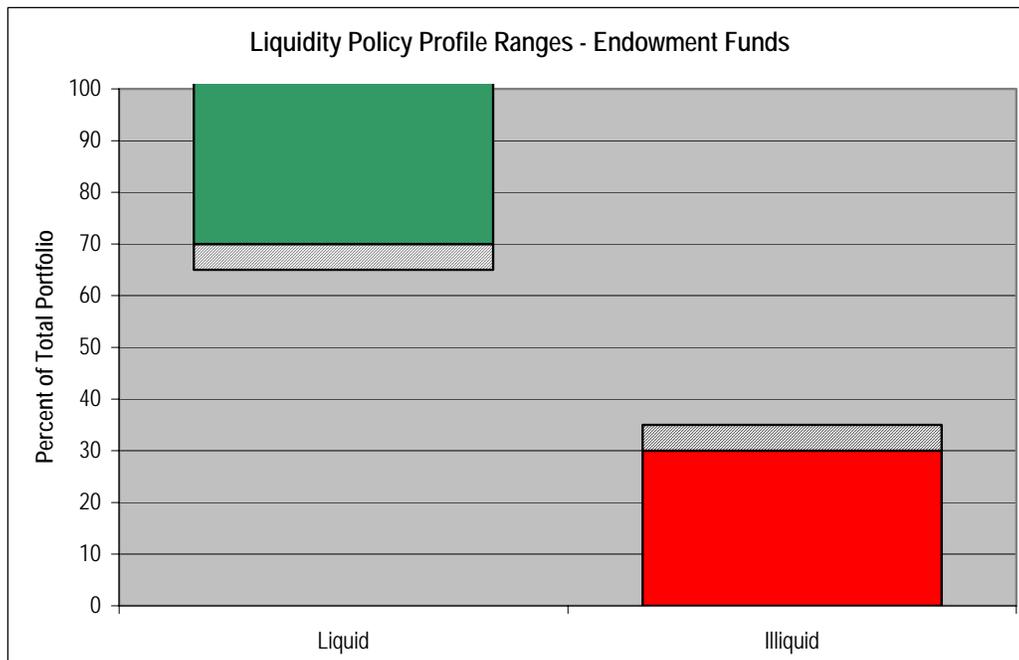
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prior approval of the UTIMCO Board or the Risk Committee<sup>1</sup>, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies “trigger zones” requiring special review by UTIMCO staff and Board, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

### Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the chart below:

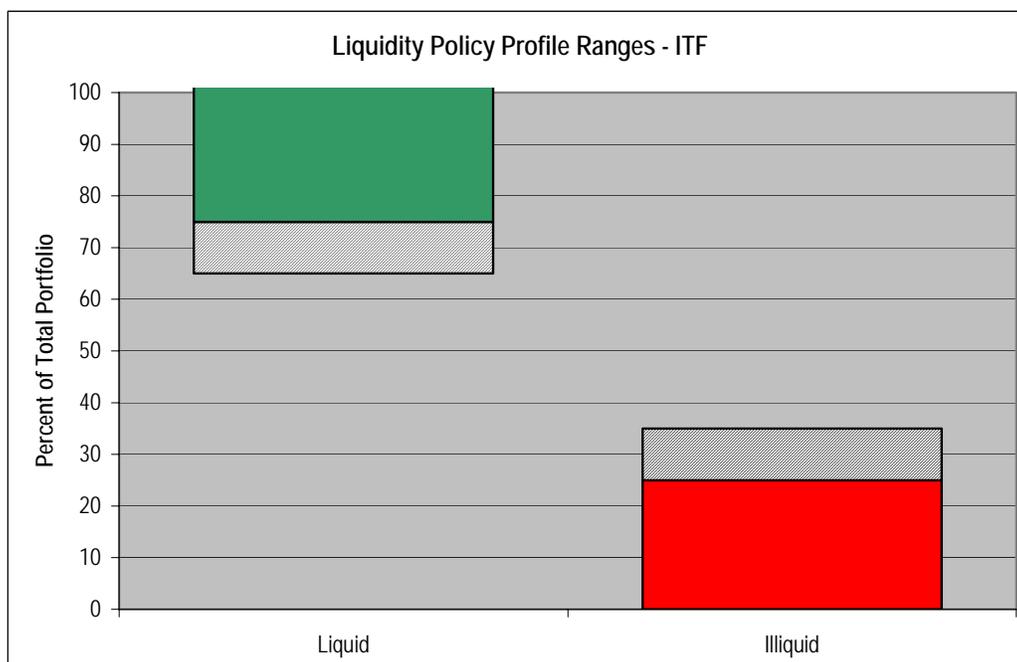


The green bar indicates the Policy range for investments categorized as “liquid” by the definition presented earlier. The red bar indicates the Policy range for investments categorized as “illiquid” by earlier definition. The shaded sections of the green and red bars indicate trigger zones requiring special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for illiquid investments is 0% to 35% of the total portfolio. However, any illiquid investments made in the 30% to 35% trigger zone requires prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

<sup>1</sup> The Risk Committee (formerly, the Liquidity Committee) was appointed by the UTIMCO Board of Directors and is subject to a Risk Committee Charter first approved by the UTIMCO Board of Directors on April 8, 2004. The Risk Committee consists of at least three members of the Board and provides oversight and monitoring of the liquidity of the policy portfolio in accordance with this Liquidity Policy.

## The University of Texas Investment Management Company Liquidity Policy

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the chart below:



The allowable range for illiquid investments is 0% to 35% of the total portfolio for the ITF. However, any illiquid investments made in the 25% to 35% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

### Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that class. These classifications will be reviewed by the Risk Manager and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. The monthly liquidity reports will include certification by each Managing Director, the Risk Manager, the Chief Compliance Officer, and the President of UTIMCO that all investments are properly categorized and reported. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in either any of the PUF, or the GEF, or the ITF by 10% or more of the total asset value of either such Fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process

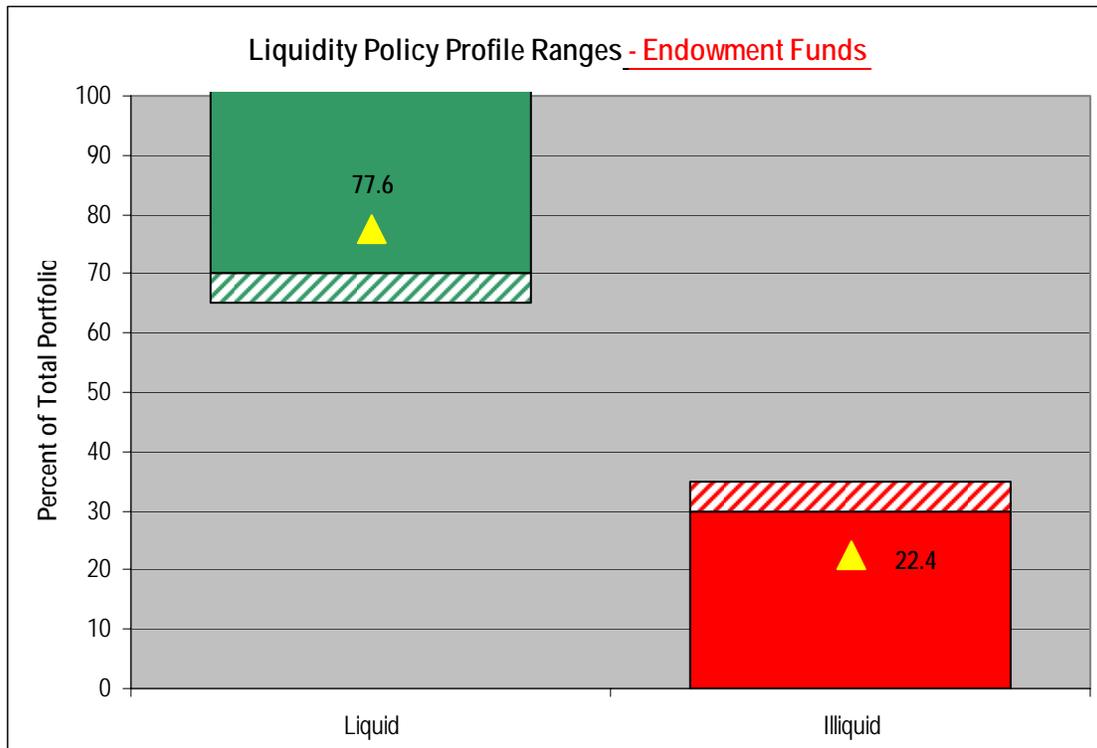
# The University of Texas Investment Management Company

## Liquidity Policy

to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation.

### Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly. An example of the method of reporting is shown below where the yellow points and number labels indicate current actual exposure levels within each Liquidity Policy Range for the Endowment Funds (numbers shown are examples only). For example, in this illustration the current exposure to “liquid” investments is 77.6%, while exposure to “illiquid” investments is 22.4% and both are within their respective allowable policy ranges and not in defined trigger zones.



# The University of Texas Investment Management Company

## Derivative Investment Policy

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Effective Date of Policy: ~~November 10, 2005~~ August 11, 2005  
Date Approved by UTIMCO Board: ~~October 7, 2005~~ July 21, 2005

### **Purpose:**

The purpose of the Derivative Investment Policy is to enumerate the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), ~~and the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF),~~ hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statement for the Funds.

### **Objective:**

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Through the use of derivatives, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. Derivatives provide the Funds with the most economical means to improve the Funds risk/return profile.

### **Scope:**

Except where specifically noted, this Policy applies to all derivative transactions in the Funds executed by internal UTIMCO staff and by external managers operating under an Agency Agreement. This Policy applies to internal management of derivatives at UTIMCO only. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivatives policies for external managers are established on a case by case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivative instruments. This Policy shall not be construed to apply to index or other common or commingled funds in which the Funds typically invest. These commingled investment vehicles are governed by separate investment policy statements.

### **External Managers:**

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external investment manager of public market investments employed by UTIMCO under an Agency Agreement may engage in derivative transactions only if the transactions are consistent with the overall investment objectives of the account. Derivative applications shall be approved only with investment managers that demonstrate investment expertise in their use, and have appropriate risk management policies and procedures to effectively monitor and control their use. Disclosure of permitted derivative applications with external investment managers of public market investments shall be made to UTIMCO's Board.

Selecting and monitoring external managers through a Limited Liability Entity ~~The due diligence process in the selection of managers of alternative marketable equities employed by UTIMCO~~ requires a clear understanding of the managers' use of derivatives, particularly as it relates to various risk controls and leverage. ~~UTIMCO will invest in such strategies exclusively through limited partnership agreements, offshore corporations or other legal entities that limit the Funds' exposure to its investment in the strategy. Disclosure of derivative applications with alternative marketable equity managers shall be made to UTIMCO's Board.~~ These managers typically have complete delegated authority, and monitoring of risk exposures and leverage is done on both an individual entity and aggregate basis. The permitted uses of derivatives and leverage are fully documented in the limited liability agreements with these managers.

# The University of Texas Investment Management Company

## Derivative Investment Policy

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### Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as a bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include futures contracts, forward contracts, swaps and all forms of options, but shall not include a broader range of securities including mortgage backed securities, structured notes and convertible bonds. Derivatives may be purchased through a national exchange or through an OTC direct arrangement with a counterparty. (Refer to the attached exhibit for a glossary of terms.)

### Permitted Derivative Applications:

Derivative applications may be used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with cash market securities;
- To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases or short sales, or both, of appropriate derivatives; or
- To facilitate transition trading.

The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Except as provided below, Only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board. The Chief Investment Officer shall recommend and the UTIMCO Board must approve any new internal derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. Derivative policies of external managers that engage in derivative applications not otherwise permitted by this Policy, or a Policy subsequently broadened by the UTIMCO Board, must be approved by the UTIMCO Board. Existing external managers as of November 10, 2005, will comply with this policy on or before January 1, 2006.

### Derivative Applications Not Permitted:

Derivative applications shall not be used to invest in asset classes that are not consistent with the Funds' policy asset categories, implementation strategies and risk/return characteristics.

### Documentation and Controls:

Prior to the implementation of a new internal derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, ~~the acceptable criteria for counterparties in over the counter derivative applications,~~ and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary.

~~UTIMCO shall make a comprehensive report of all derivative applications to the UTIMCO Board on at least a quarterly basis.~~

### Limitations:

## The University of Texas Investment Management Company Derivative Investment Policy

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**Economic Impact and Leverage:** Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivatives application, which is the sum of the application-specific risk and the market (systematic) risk established by the derivative application. In order to control and limit the leverage risk, each internal derivative application must specify a baseline portfolio, and risk measures such as Value at Risk (VAR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivative's application.

**Counterparty Risks:** ~~As an additional global limitation, the total gross value (without netting counter positions) of all internal derivatives positions shall not exceed 45% of the net asset value of the Funds.~~

In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivative transactions must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds under the transactions. The counterparty must be an investment grade credit and the agreement must be marked to market no less frequently than monthly. ~~The net market value of all OTC derivative positions for any individual counterparty may not exceed 1% of the total market value of the Funds.~~

**Global Risk Limitations:** Notwithstanding other limitations in this Derivative Policy, no derivative transaction may be taken that would cause the aggregate risk exposure of the Funds to exceed the aggregate risk limits established by the current asset allocation policies of the Funds.

### **Risk Management and Compliance:**

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed derivatives in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' external custodian, and these daily reports will be reviewed for accuracy by the UTIMCO Risk Manager. Compliance with the conditions of this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the external custodian and the external risk model. Data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager. Any violations of the terms in this Policy will be reported immediately to the Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Risk Committee and the UTIMCO Board.

### **Reporting:**

UTIMCO shall provide a comprehensive report of all approved derivative applications for both internal managers and external managers under Agency Agreements. UTIMCO shall also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external managers under Agency Agreements. These reports will be provided at least on a quarterly basis to the UTIMCO Board and the Risk Committee.

**The University of Texas Investment Management Company**  
**Derivative Investment Policy**

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**Derivative Investment Policy Exhibit**  
**Glossary of Terms**

**Agency Agreement** – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

**Application-specific risk** – The portion of total risk in a derivatives application which is due to factors unique to the application as opposed to more systematic, market-related factors. For example, in an option on a specific stock, the risk associated with the specific business results of the company which issued the stock underlying the option would be application-specific risk, as opposed to the overall risk of the stock market which would be Systematic Risk.

**Baseline portfolio** – The cash-market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.

**Cash equivalents** – Includes cash, short term fixed income instruments, accruals, variation margin and one day deposits in transit to the account.

**Cash market** - The physical market for a commodity or financial instrument.

**Counterparty** - The offsetting party in an exchange agreement.

**Delta Equivalent Value** – The delta of an option is a measure of the change in price of an option with a small change in the value of the security underlying the option as implied by the Black-Scholes theory. The delta is a function of the volatility of the underlying security, the dividend rate of the underlying security, the strike price of the option, the time to maturity of the option, and the risk free interest rate. The delta then defines the value of the underlying security that would be necessary to fully hedge the option position, the delta equivalent value. For example, if an option on a stock has a notional value of \$100 but would change in price by \$6 when the value of the underlying stock changes by \$10, then the delta equivalent value of the option is \$60.

**Derivative application** – A definition of the intended use of a derivative-based position such as replication or enhancing index returns, asset allocation or completion fund strategies, and various alpha transport strategies.

**Derivative application portfolio** – The portfolio including derivative instruments, cash equivalents, and other cash market assets established to replicate a specified baseline portfolio.

**Economic exposure** - The total effective exposure of a derivative position. The economic exposure is the product of the dollar value of the exposure and the market or systematic risk level of the exposure. A common method of measuring economic exposure is with risk management tools such as “value at risk.”

**Exchange traded derivatives** - A derivative instrument traded on an established national or international exchange. These instruments “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the instruments are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

## The University of Texas Investment Management Company Derivative Investment Policy

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**Forward contract** - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future.

**Futures contract** - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

**ISDA Netting Agreement** - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted "Master Agreements," a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives transactions. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be "netted" so that payables and receivables under all existing derivative transactions between two counterparties are offset in determining the net exposure between the two counterparties.

**Limited Liability Entity** – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

**Option** - An instrument that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

**Over the counter (OTC) derivatives** - A derivative instrument which result from direct negotiation between a buyer and a counterparty. The terms of such instruments are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

**Swap** - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

**Systematic risk** – The non-diversifiable risks associated with an investment in a particular asset market. For example the financial, political, and other risks associated with a portfolio of common stocks are known as "market" or systematic risks.

**Value at risk (VAR)** – An established method of measuring economic exposure risk. The measure conveys the maximum potential loss (in dollars or percent of total assets) for a particular investment position, for a particular period of time, for a particular level of confidence.

**8. U. T. System Board of Regents: Investments Report for the quarter and fiscal year ended August 31, 2005, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report**

REPORT

The Investments Report for the quarter and fiscal year ended August 31, 2005, are set forth on Pages 19.1 - 19.5.

Item I on Page 19.1 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was 18.8% versus its composite benchmark return of 15.1%. The PUF's net asset value increased by \$1,338.8 million since the beginning of the fiscal year to \$9,426.7 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return and a decrease due to the \$341.2 million annual distribution.

Item II on Page 19.2 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was 18.8% versus its composite benchmark return of 15.1%. The GEF's net asset value increased \$719.2 million since the beginning of the fiscal year to \$4,926.8 million.

Item III on Page 19.3 reports activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 2.48% for the fiscal year versus the SITF's performance benchmark of 1.15%. The SITF's net asset value increased by \$44.4 million since the beginning of the fiscal year to \$1,222.4 million. This increase in net asset value was due to net contributions and investment return to the SITF.

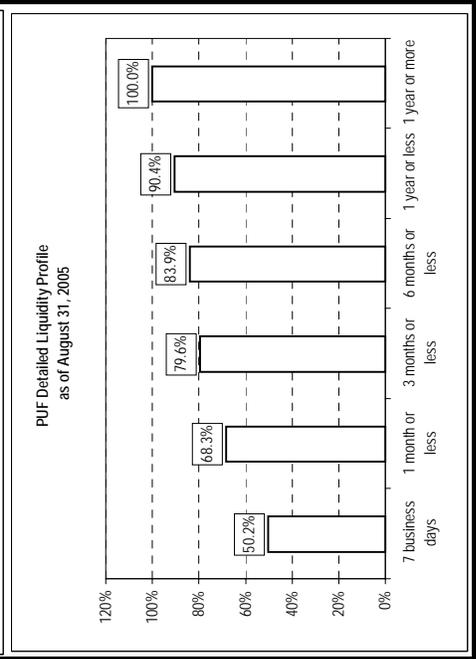
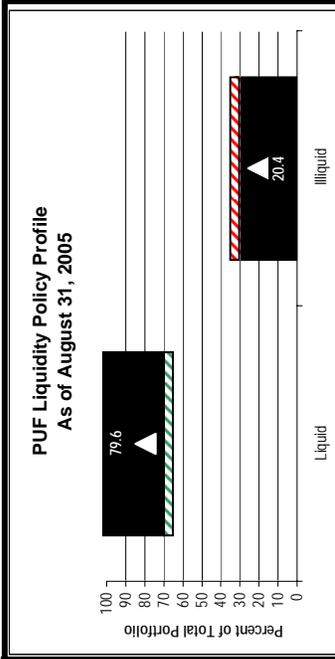
Item IV on Page 19.4 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$37.5 million to \$2,443.8 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$47.2 million versus \$47.3 million at the beginning of the period; equities: \$256.5 million versus \$346.2 million at the beginning of the period; and other investments: \$1.6 million versus \$2.2 million at the beginning of the period.

The August 31, 2005, Performance Summary Report prepared by The University of Texas Investment Management Company (UTIMCO) is attached on Page 19.5.

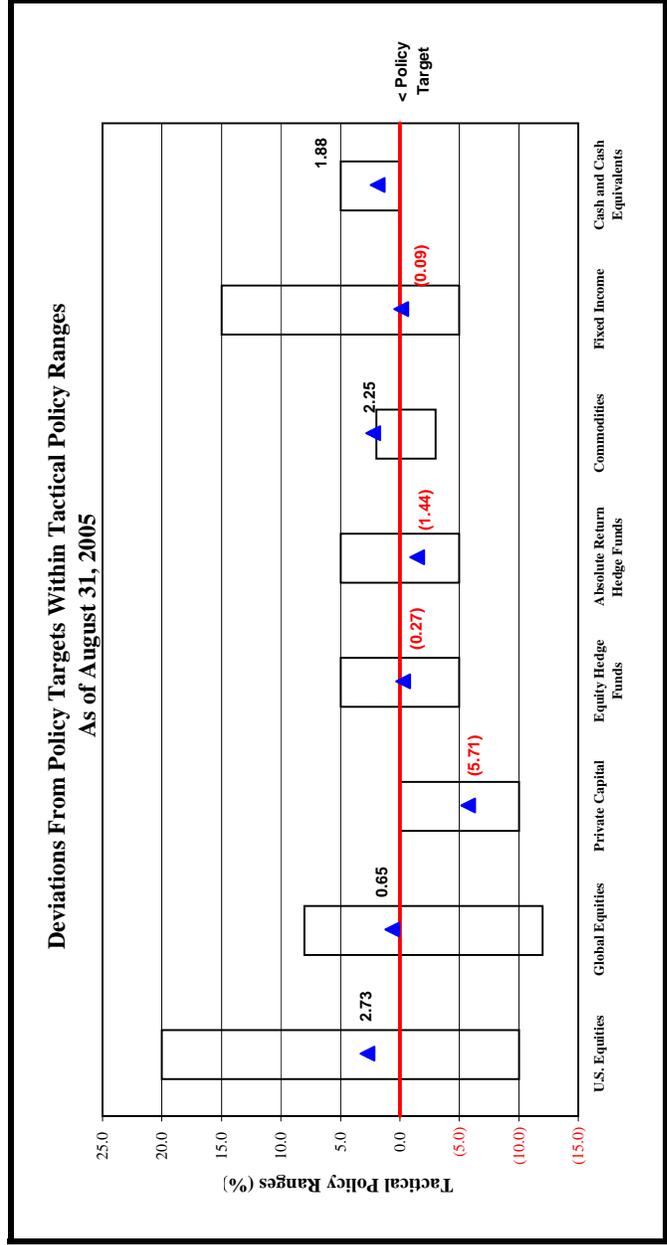
# I. PERMANENT UNIVERSITY FUND Investment Reports for Periods Ended August 31, 2005

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2004	Quarter Ended August 31, 2005	Fiscal Year Ended August 31, 2005
Beginning Net Assets (\$ millions)	\$ 7,244.8	\$ 8,899.8	\$ 8,087.9
PUF Lands Receipts	146.7	35.2	193.0
Investment Return	1,070.2	506.5	1,538.0
Expenses	(25.8)	(14.8)	(51.0)
Distributions to AUF	(348.0)	-	(341.2)
Ending Net Assets	\$ 8,087.9	\$ 9,426.7	\$ 9,426.7



	Fiscal Year to Date						
	August 31, 2005	Returns			Value Added		
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	1.88%	0.00%	2.48%	2.44%	-0.15%	0.00%	-0.15%
U.S. Equities	27.73%	25.00%	19.35%	17.95%	0.13%	0.34%	0.47%
Global Equities	17.65%	17.00%	26.30%	26.56%	0.25%	-0.04%	0.21%
Equity Hedge Funds	9.73%	10.00%	13.23%	6.61%	-0.01%	0.70%	0.69%
Absolute Return Hedge Funds	13.56%	15.00%	14.26%	5.55%	-0.01%	1.37%	1.36%
Commodities	5.25%	3.00%	32.06%	40.72%	0.24%	-0.28%	-0.04%
Fixed Income	14.91%	15.00%	6.51%	4.66%	-0.02%	0.30%	0.28%
<b>Total Marketable Securities</b>	<b>90.71%</b>	<b>85.00%</b>	<b>17.66%</b>	<b>14.54%</b>	<b>0.43%</b>	<b>2.39%</b>	<b>2.82%</b>
Private Capital	9.29%	15.00%	30.00%	17.70%	-0.84%	1.76%	0.92%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>18.80%</b>	<b>15.06%</b>	<b>-0.41%</b>	<b>4.15%</b>	<b>3.74%</b>



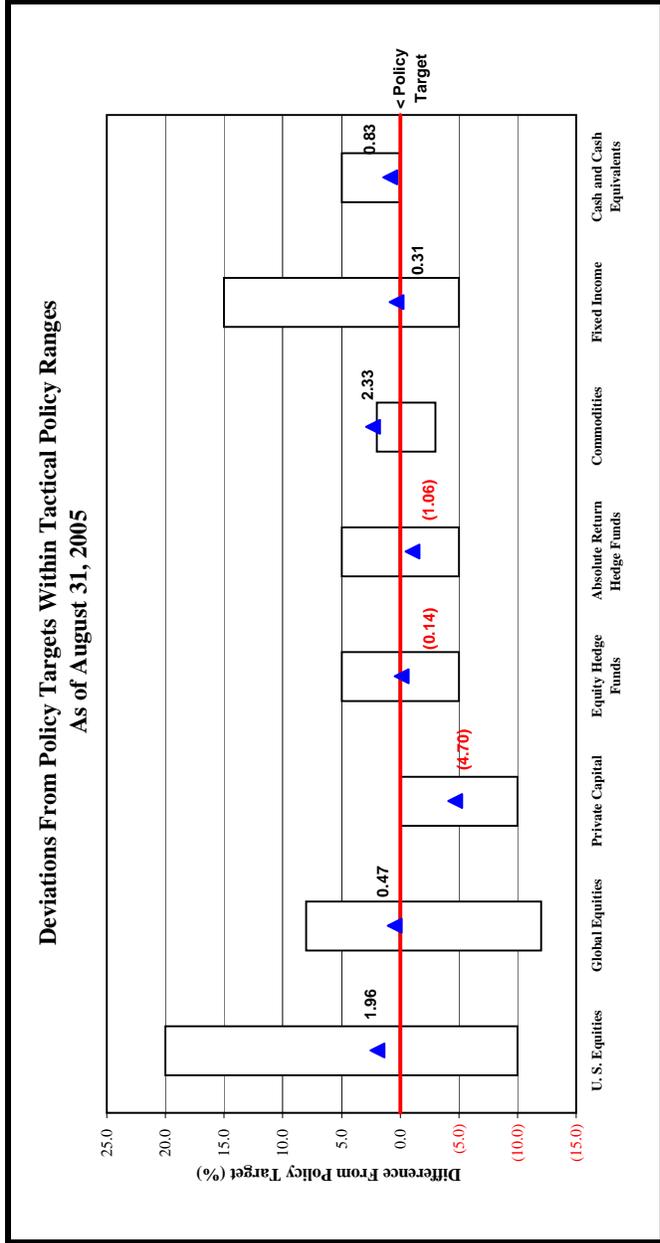
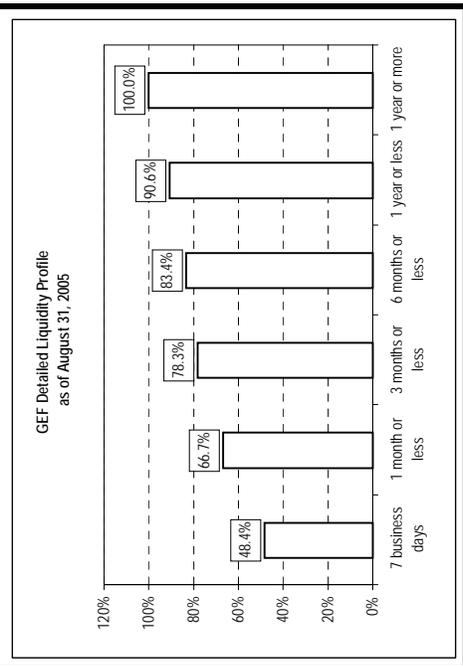
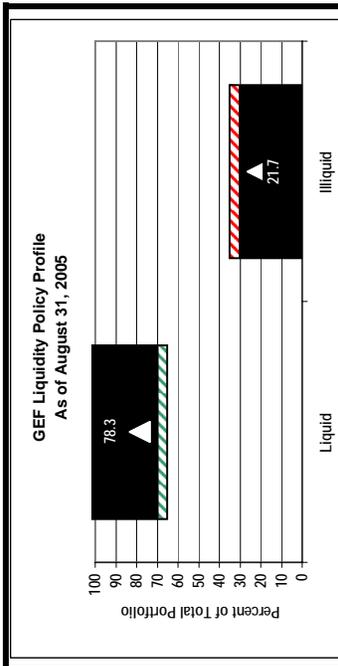
## II. GENERAL ENDOWMENT FUND

### Investment Reports for Periods Ended August 31, 2005

Prepared in accordance with *Texas Education Code Sec. 51.0032*

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2004	Quarter Ended August 31, 2005	Fiscal Year Ended August 31, 2005
Beginning Net Assets	\$ 3,584.8	\$ 4,679.5	\$ 4,207.6
Contributions	308.9	42.9	139.2
Withdrawals	(235.5)	(53.9)	(211.1)
Investment Return	559.0	264.6	814.2
Expenses	(9.6)	(6.3)	(23.1)
Ending Net Assets	\$ 4,207.6	\$ 4,926.8	\$ 4,926.8

	Fiscal Year to Date						
	August 31, 2005	Returns		Value Added			
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	0.83%	0.00%	2.48%	2.44%	-0.13%	0.00%	-0.13%
U.S. Equities	26.96%	25.00%	19.42%	17.95%	0.07%	0.35%	0.42%
Global Equities	17.47%	17.00%	26.82%	26.56%	0.28%	0.04%	0.32%
Equity Hedge Funds	9.86%	10.00%	13.17%	6.61%	0.00%	0.69%	0.69%
Absolute Return Hedge Funds	13.94%	15.00%	14.44%	5.55%	-0.01%	1.40%	1.39%
Commodities	5.33%	3.00%	32.24%	40.72%	0.24%	-0.27%	-0.03%
Fixed Income	15.31%	15.00%	6.51%	4.66%	-0.03%	0.30%	0.27%
<b>Total Marketable Securities</b>	<b>89.70%</b>	<b>85.00%</b>	<b>17.79%</b>	<b>14.54%</b>	<b>0.42%</b>	<b>2.51%</b>	<b>2.93%</b>
Private Capital	10.30%	15.00%	28.26%	17.70%	-0.68%	1.51%	0.83%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>18.82%</b>	<b>15.06%</b>	<b>-0.26%</b>	<b>4.02%</b>	<b>3.76%</b>



**III. SHORT INTERMEDIATE TERM FUND**  
**Investment Report for Periods Ended August 31, 2005**  
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

	FY04-05					
	FY03-04 Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
	(\$ millions)					
Beginning Net Assets	\$ 1,435.3	\$ 1,178.0	\$ 1,199.0	\$ 1,206.4	\$ 1,202.0	\$ 1,178.0
Net Contributions (Withdrawals)	(261.3)	22.8	9.5	(7.8)	21.5	46.0
Investment Return	33.2	4.3	4.9	11.8	9.0	30.0
Expenses	(0.6)	(0.2)	-	(0.1)	(0.2)	(0.5)
Distributions of Income	(28.6)	(5.9)	(7.0)	(8.3)	(9.9)	(31.1)
Ending Net Assets	\$ 1,178.0	\$ 1,199.0	\$ 1,206.4	\$ 1,202.0	\$ 1,222.4	\$ 1,222.4
Net Asset Value per Unit	9.927	9.911	9.894	9.923	9.914	9.914
No. of Units (End of Period)	118,671,708	120,971,065	121,930,268	121,136,214	123,305,429	123,305,429
Total Net Investment Return	2.49%	0.34%	0.40%	0.98%	0.73%	2.48%

**IV. SEPARATELY INVESTED ASSETS**  
**Summary Investment Report at August 31, 2005**  
 Report prepared in accordance with *Texas Education Code Sec. 51.0032.*

ASSET TYPES	(\$ thousands)															
	CURRENT PURPOSE DESIGNATED		RESTRICTED				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
<b>Cash &amp; Equivalents:</b>																
Beginning value 05/31/05	2,780	2,780	6,335	6,335	68,202	68,202	624	624	-	-	-	-	2,328,377	2,328,377	2,406,318	2,406,318
Increase/(Decrease)	77	77	(2,999)	(2,999)	(11,412)	(11,412)	53	53	-	-	-	-	51,771	51,771	37,490	37,490
Ending value 08/31/05	2,857	2,857	3,336	3,336	56,790	56,790	677	677	-	-	-	-	2,380,148	2,380,148	2,443,808	2,443,808
<b>Debt Securities:</b>																
Beginning value 05/31/05	-	-	263	214	29,378	29,942	16,497	17,106	-	-	-	-	-	-	46,138	47,262
Increase/(Decrease)	-	-	-	1	387	134	(185)	(185)	-	-	-	-	-	-	202	(50)
Ending value 08/31/05	-	-	263	215	29,765	30,076	16,312	16,921	-	-	-	-	-	-	46,340	47,212
<b>Equity Securities:</b>																
Beginning value 05/31/05	36	9,201	2,064	1,756	41,097	46,002	21,575	23,922	-	-	-	-	306,886	265,308	371,658	346,189
Increase/(Decrease)	(9)	(3)	(149)	(151)	32	821	(392)	1,076	-	-	-	-	(95,298)	(91,426)	(95,816)	(89,683)
Ending value 08/31/05	27	9,198	1,915	1,605	41,129	46,823	21,183	24,998	-	-	-	-	211,588	173,882	275,842	256,506
<b>Other:</b>																
Beginning value 05/31/05	2,000	2,000	111	111	-	-	218	86	-	-	-	-	-	-	2,329	2,197
Increase/(Decrease)	(2,000)	(2,000)	1,436	1,436	-	-	5	-	-	-	-	-	-	-	(559)	(564)
Ending value 08/31/05	-	-	1,547	1,547	-	-	223	86	-	-	-	-	-	-	1,770	1,633

Details of individual assets by account furnished upon request.

**UTIMCO Performance Summary**  
August 31, 2005

Net Asset Value 8/31/2005 (in Millions)	Periods Ended August 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										
	One Month	Three Months	Six Months	Calendar Year To Date	Fiscal Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>											
Permanent University Fund	1.75	5.54	5.69	8.16	18.80	18.80	16.75	15.15	9.06	5.26	9.81
General Endowment Fund	1.73	5.48	5.58	8.05	18.82	18.82	16.78	15.44	9.38	N/A	N/A
Permanent Health Fund	1.73	5.45	5.49	7.97	18.68	18.68	16.62	15.29	9.24	5.27	N/A
Long Term Fund	1.73	5.45	5.49	7.96	18.68	18.68	16.62	15.32	9.29	5.41	10.51
Separately Invested Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Endowment Funds</b>	<b>14,548.6</b>										
<b>OPERATING FUNDS</b>											
Short Term Fund	0.29	0.81	1.51	1.88	2.48	2.48	1.77	1.62	1.79	2.54	4.07
Short Intermediate Term Fund	0.78	0.73	1.72	1.83	2.48	2.48	2.49	2.20	2.59	3.83	5.00
Institutional Index Funds:											
BGI US Bond Index Fund	-	1.26	0.92	2.89	4.17	4.17	5.17	5.01	5.75	7.06	N/A
BGI Equity Index Fund	(0.90)	2.93	2.38	1.99	12.64	12.64	12.06	12.08	3.67	(2.67)	N/A
<b>Total Operating Funds</b>	<b>3,776.4</b>										
<b>Total Investments</b>	<b>\$ 18,325.0</b>										
<b>BENCHMARKS (1)</b>											
Permanent University Fund: Policy Portfolio	0.97	4.21	6.18	7.10	15.06	15.06	14.10	11.59	6.69	3.26	10.51
General Endowment Fund: Policy Portfolio	0.97	4.21	6.18	7.10	15.06	15.06	14.10	11.59	6.69	3.21	10.38
Short Term Fund: 90 Day Treasury Bills Average Yield	0.29	0.76	1.49	1.82	2.44	2.44	1.76	1.63	1.79	2.53	3.92
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)	0.62	0.53	1.48	1.22	1.15	1.15	1.73	1.99	3.12	4.35	5.09
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index	1.28	0.91	2.85	2.88	4.15	4.15	5.14	4.88	5.67	6.98	6.76
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)	(0.91)	2.92	2.33	1.94	12.56	12.56	12.01	12.03	3.62	(2.71)	9.85
<b>VALUE ADDED (2)</b>											
Permanent University Fund	0.77	1.33	(0.49)	1.07	3.74	3.74	2.65	3.56	2.37	2.01	(0.70)
General Endowment Fund	0.75	1.27	(0.60)	0.95	3.76	3.76	2.68	3.85	2.69	N/A	N/A
Permanent Health Fund	0.76	1.24	(0.68)	0.87	3.63	3.63	2.52	3.70	2.56	2.05	N/A
Long Term Fund	0.76	1.24	(0.69)	0.86	3.62	3.62	2.52	3.73	2.60	2.19	0.13
Short Term Fund	0.00	0.06	0.02	0.06	0.04	0.04	0.01	(0.01)	0.00	0.01	0.15
Short Intermediate Term Fund	0.16	0.20	0.24	0.61	1.33	1.33	0.76	0.21	(0.53)	(0.52)	(0.08)
Institutional Bond Index Fund	(0.02)	0.01	0.00	0.00	0.02	0.02	0.03	0.14	0.08	0.08	N/A
Institutional Equity Index Fund	0.01	0.01	0.05	0.05	0.08	0.08	0.05	0.05	0.05	0.04	N/A

(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical errors in benchmark construction and calculation: (a) to reflect actual asset class target allocations which were in place, or the practical implementation of changes to those policy allocations, and (b) to distinguish between PUF and GEF/LTF historical investment objectives and distribution policies by accurately representing actual asset class allocations during those periods.

Benchmark returns for the PUF and GEF/LTF policy portfolios were also restated for all prior period beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previously for the Private Capital asset class. Specifically, the Wilshire 5000 + 4%, the benchmark in place immediately prior to the current policy, was replaced with the Venture Economics Periodic IRR Index, a more appropriate benchmark measure for the actual Private Capital portfolio.

Complete details of the [restatement](#) and previous policy portfolio benchmark history are documented on the UTIMCO website at [www.UTIMCO.org](http://www.UTIMCO.org) or are available upon request.

(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by UTIMCO staff and external managers.

**9. U. T. System: Fiscal Year 2005 Energy Utility Task Force Report**

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2005 using the PowerPoint presentation attached on Pages 49 - 52 of the Supplemental Materials (Volume 2) of the Agenda Book. The Energy Utility Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to reduce energy consumption, better manage commodity price risk, and leverage their purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to the Board in November 2001. A 2-4% reduction in System-wide energy use per square foot was targeted for Fiscal Year 2003 and was achieved. A 5-10% reduction in energy usage is targeted for Fiscal Year 2006. The estimated reduction in energy usage through Fiscal Year 2005 is 5.2%.



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

**Committee Meeting:** 11/9/2005

**Board Meeting:** 11/10/2005  
Austin, Texas

*Cyndi Taylor Krier, Chairman*  
*John W. Barnhill, Jr.*  
*Judith L. Craven, M.D.*  
*Robert A. Estrada*  
*Colleen McHugh*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>3:00 p.m.</i> <i>Chairman</i> <i>Krier</i>		
1. <b>U. T. System: Reports from academic presidents, Academic Affairs Committee members, and Executive Vice Chancellor Sullivan</b>	<i>3:00 p.m.</i> <b>Report</b> <i>Presidents</i> <i>Dr. Sullivan</i>	Not on Agenda	<b>21</b>
2. <b>U. T. System Board of Regents: Update regarding Task Force on Admissions, Tuition, and Financial Aid</b>	<i>3:15 p.m.</i> <b>Report</b> <i>Dr. Sullivan</i>	Not on Agenda	<b>21</b>
3. <b>U. T. Brownsville: Approval to expand planning authority for an Ed.D. degree in Curriculum and Instruction</b>	<i>3:30 p.m.</i> <b>Action</b> <i>President</i> <i>García</i> <i>Dr. Sullivan</i>	<b>Action</b>	<b>21</b>
4. <b>U. T. Dallas: Appointment of Dr. Franklyn G. Jenifer as President Emeritus</b>	Not on Agenda	<b>Action</b>	<b>22</b>
5. <b>U. T. Dallas: Authorization to establish Ph.D. and M.S. degrees in Criminology</b>	<i>3:35 p.m.</i> <b>Action</b> <i>President</i> <i>Daniel</i> <i>Dr. Sullivan</i>	<b>Action</b>	<b>23</b>
6. <b>U. T. Dallas: 911 System Housing - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	<i>3:40 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>25</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
7. <b>U. T. Dallas: Natural Science and Engineering Research Building Infrastructure Related Projects - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	3:45 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>27</b>
8. <b>U. T. Dallas: Physical Plant Building - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	3:50 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>29</b>
9. <b>U. T. El Paso: Authorization to establish a Ph.D. in Chemistry</b>	3:55 p.m. <b>Action</b> <i>President Natalicio Dr. Sullivan</i>	<b>Action</b>	<b>30</b>
10. <b>U. T. Pan American: Approval to expand planning authority for a Ph.D. in Rehabilitation in Counseling</b>	4:00 p.m. <b>Action</b> <i>President Cárdenas Dr. Sullivan</i>	<b>Action</b>	<b>32</b>
11. <b>U. T. San Antonio: Request to create the College of Education and Human Development Advisory Council (Regents' Rules and Regulations, Series 60302, regarding advisory councils)</b>	4:05 p.m. <b>Action</b> <i>President Romo</i>	<b>Action</b>	<b>33</b>
12. <b>U. T. San Antonio: Discussion of compact priorities</b>	4:10 p.m. <b>Report</b> <i>President Romo Dr. Sullivan</i>	Not on Agenda	<b>34</b>
13. <b>U. T. Arlington: Discussion of compact priorities</b>	4:20 p.m. <b>Report</b> <i>President Spaniolo Dr. Sullivan</i>	Not on Agenda	<b>34</b>
<b>Adjourn</b>	4:30 p.m.		

1. **U. T. System: Reports from academic presidents, Academic Affairs Committee members, and Executive Vice Chancellor Sullivan**

REPORT

The academic presidents, committee members, and Executive Vice Chancellor Sullivan may report briefly on new developments taking place at each campus. These reports may include areas such as new research grants, significant collaborations with external agencies, or other topics deemed to be important. This is a quarterly update to the Academic Affairs Committee of the U. T. System Board of Regents.

2. **U. T. System Board of Regents: Update regarding Task Force on Admissions, Tuition, and Financial Aid**

REPORT

Executive Vice Chancellor Sullivan will report on the U. T. System's admissions issues related to the Board of Regents' Task Force on Admissions, Tuition, and Financial Aid.

Regent Caven was appointed to head the Task Force on Admissions, Tuition, and Financial Aid at the Board meeting on November 13, 2003. The mission of the Task Force was: 1) to develop strategies that bring together admissions, tuition, and financial aid policies in a comprehensive policy unit for the Board to enhance recruitment, enrollment, retention, and graduation of U. T. System students while focusing on admissions, tuition, and financial aid; and 2) structure the long-term processes under which the Board of Regents develops its admissions, tuition, and financial aid policies.

3. **U. T. Brownsville: Approval to expand planning authority for an Ed.D. degree in Curriculum and Instruction**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President García that

- a. degree planning authority for U. T. Brownsville be expanded to include an Ed.D. in Curriculum and Instruction; and
- b. the proposal be submitted to the Texas Higher Education Coordinating Board for review and appropriate action.

## BACKGROUND INFORMATION

The primary objective of the Ed.D. is to prepare a new generation of scholars and educators who will fully integrate the areas of teaching, learning, and bilingual instruction.

The Ed.D. in Curriculum and Instruction will be designed to develop four specific skills: advanced teaching skills, evaluation of current research in curriculum and instruction, and advanced research skills in teaching.

#### **4. U. T. Dallas: Appointment of Dr. Franklyn G. Jenifer as President Emeritus**

## RECOMMENDATION

Chancellor Yudof recommends that authorization be granted to appoint Dr. Franklyn G. Jenifer as President Emeritus at The University of Texas at Dallas. Approval of this recommendation is being requested in accordance with the Regents' *Rules and Regulations*, Series 20301.

## BACKGROUND INFORMATION

Dr. Franklyn G. Jenifer served as President of U. T. Dallas from 1994-2005. Dr. Jenifer earned his bachelor's and master's degrees from Howard University, and his Ph.D. from the University of Maryland. Dr. Jenifer served 43 years in higher education and public education before retiring in 2005.

Under Dr. Jenifer's presidency, U. T. Dallas gained legislative approval for change in universities' funding formula to recognize the unique mission of technological, scientific, and management excellence. In addition, enrollment was vastly improved under President Jenifer's leadership.

Dr. Jenifer oversaw construction of four new student residence complexes, an extension to the student center, and a new events center. He obtained funding to more than double the size of Erik Jonsson School of Engineering and Computer Science and secured funding for the new School of Management building. He obtained full accreditation from the Southern Association of Colleges and Schools for U. T. Dallas and significantly improved the number of and employment conditions for women and minorities. At the time he retired, U. T. Dallas had over 500 faculty members and nearly 14,000 students.

President Franklyn G. Jenifer successfully addressed the challenges of president and met his initial goals by adding modern facilities and by leading U. T. Dallas to a high level of academic excellence.

5. **U. T. Dallas: Authorization to establish Ph.D. and M.S. degrees in Criminology**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Daniel that authorization be granted to

- a. establish Ph.D. and M.S. degrees in Criminology at U. T. Dallas;
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and
- c. authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

In addition, the Coordinating Board will be asked to change the U. T. Dallas Table of Programs to reflect authorization for the proposed degree programs.

**BACKGROUND INFORMATION**

**Program Description**

The proposed graduate program in Criminology will be an interdisciplinary, research oriented program offered in conjunction with the other graduate programs in the School of Social Sciences at U. T. Dallas. The Ph.D. in Criminology and the M.S. in Criminology will share a 30-semester credit hour core of existing courses that emphasize the theories of criminal behavior, research methods in criminology, and society's response to crime. The objective of the Ph.D. program is to provide students with a coherent and intellectually challenging research degree that prepares them for an academic appointment as a university professor or an administrative appointment with oversight of research and development within criminal justice organizations. Graduates of the Criminology program will earn the Ph.D. following successful completion of 90 semester credit hours beyond the proposed 36-semester credit hour M.S. degree or an equivalent earned master's degree. Implementation of the degrees is anticipated during the 2005-2006 academic year.

**Need and Student Demand**

Texas is generally among the states with the highest crime rates as measured by the Federal Bureau of Investigation (FBI). According to the most recent data from the Bureau of Justice, Texas consistently ranks among the states having the highest amount and severity of crime. Dallas recently took the lead among urban cities in the

U.S. in rates of robbery. Similarly, Texas ranks high in terms of the size, complexity, and cost of the correctional system that must incarcerate criminals at taxpayer expense. This unfavorable profile indicates there are many important criminal justice topics within the state that should be examined by skilled criminologists. This is true not only statewide, but especially in the North Texas region. Texas has a comparatively small number of doctoral programs in which criminologists can be trained, and it has no academic program specifically for this mission.

There are two primary groups of potential students who will have particular interest in this degree: the 230 students already at U. T. Dallas with undergraduate majors in sociology and criminal justice studies, and the individuals working in the public sectors in the region who may desire a doctoral degree for professional advancement. Examples of the latter students are faculty members at community colleges who currently hold a master's degree and desire to pursue a doctorate. Evidence of the demand for these graduates can be found in searches for over 230 positions placed in the three leading journals in the field over the past two years.

### Program Quality

The School of Social Sciences has an interdisciplinary and applied focus and has strengths in the areas of measurement and research techniques. The proposed degree programs in Criminology would complement, and in turn be complemented by the: 1) M.S. in Applied Sociology, 2) Master of Public Affairs, 3) Ph.D. in Public Policy and Political Economy, 4) Ph.D. in Political Science, and 5) Ph.D. in Economics. Both the Applied Sociology and the Public Policy and Political Economy programs offer limited concentrations in criminology. Those courses are all part of the proposed program. Additionally, criminologists tend to be interdisciplinary, and they may wish to take graduate courses in Economics, Public Affairs, or Political Science. The interdisciplinary structure of the School of Social Sciences facilitates such collaboration.

Faculty members in the School of Social Sciences have the expertise to implement a nationally recognized program in Criminology. In the past five years, they have published over 70 scholarly articles, 11 books, and numerous policy and research reports. The faculty also have generated over \$2 million in funded research and currently have over \$1 million in grants under review. A central component of these grants, completed and pending, involve graduate student training. The faculty have chaired over 40 doctoral dissertations and theses, and are committed to conduct scholarly and practical research on crime and train the next generation of criminological researchers.

The report issued by the Washington Advisory Group on behalf of the U. T. System has strongly indicated that U. T. Dallas is one of the U. T. System institutions that can and should expand its student body and its programs over the next 10 years.

Program Cost

Estimated expenditures for the first five years of the proposed programs are \$387,500. This includes new costs of \$375,000 for graduate assistants and \$12,500 for supplies and materials. U. T. Dallas will commit \$224,750 in a combination of interest income, designated funds, and general, non-state institutional funds on hand in addition to \$162,750 in formula funding to finance the first five years of the programs. The programs are projected to be self-supporting beginning in year three.

**6. U. T. Dallas: 911 System Housing - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

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 amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include the 911 System Housing project at The University of Texas at Dallas as set out below:

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** August 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$100,000

- a. approve a total project cost of \$100,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate and authorize expenditure of funds; 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 \$100,000.

### BACKGROUND INFORMATION

#### Debt Service

The \$100,000 in Revenue Financing System debt is expected to be repaid from designated tuition funds with estimated annual debt service of \$8,718. Overall debt service coverage for the institution is expected to average 1.90 times from FY 2006 through 2011.

#### Project Description

U. T. Dallas is requesting institutional management to construct a 500 square foot concrete structure with dedicated electrical power to ensure an operational 911 system for the campus in the event of a tornado or other disaster.

This project is below the Capital Improvement cost threshold but is being added to the Capital Improvement Program due to the use of debt financing.

U. T. Dallas Facilities Management personnel have the experience and capability to manage all aspects of the work.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

7. **U. T. Dallas: Natural Science and Engineering Research Building Infrastructure Related Projects - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

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 amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include the Natural Science and Engineering Research Building Infrastructure Related Projects at The University of Texas at Dallas as follows:

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** August 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$580,000

- a. approve a total project cost of \$580,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate and authorize expenditure of funds; 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 \$580,000.

## BACKGROUND INFORMATION

### Debt Service

The \$580,000 in Revenue Financing System debt is expected to be repaid from designated tuition funds with estimated annual debt service of \$50,567. Overall debt service coverage for the institution is expected to average 1.90 times from FY 2006 through 2011.

### Project Description

U. T. Dallas is requesting institutional management to construct four infrastructure related projects for the Natural Science and Engineering Research Building (NSERB). Sidewalks from the NSERB will be constructed along Rutford Drive to provide a pedestrian pathway to and from NSERB and other campus buildings. A surplus/storage building immediately across the street from the NSERB building will be torn down and relocated to a new service compound. Another project includes grading, paving, telecom, fiber, and electrical infrastructure for the service compound. The project to build a bridge over the creek and sidewalk from NSERB to the north Callier Center for Communication Disorders will provide a pedestrian pathway from NSERB to other campus buildings.

This project is below the Capital Improvement cost threshold but is being added to the Capital Improvement Program due to the use of debt financing.

U. T. Dallas Facilities Management personnel have the experience and capability to manage all aspects of the work.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

8. **U. T. Dallas: Physical Plant Building - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

**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 amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include the Physical Plant Building project at The University of Texas at Dallas as follows:

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** August 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$900,000

- a. approve a total project cost of \$900,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate and authorize expenditure of funds; 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 \$900,000.

## BACKGROUND INFORMATION

### Debt Service

The \$900,000 in Revenue Financing System debt is expected to be repaid from designated tuition funds with estimated annual debt service of \$78,466. Overall debt service coverage for the institution is expected to average 1.90 times from FY 2006 through 2011.

### Project Description

U. T. Dallas is requesting institutional management to construct a new metal physical plant building in the service compound. The new building will provide needed space for physical plant staff, shops and a warehouse, and allow the University Police to move into the current physical plant building, thus providing needed space for expanding staff and services.

This project is below the Capital Improvement cost threshold but is being added to the Capital Improvement Program due to the use of debt financing.

U. T. Dallas Facilities Management personnel have the experience and capability to manage all aspects of the work.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

## **9. U. T. El Paso: Authorization to establish a Ph.D. in Chemistry**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to

- a. establish a Ph.D. degree in Chemistry at U. T. El Paso; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

In addition, the Coordinating Board will be asked to change the U. T. El Paso Table of Programs to reflect authorization for the proposed degree program.

## BACKGROUND INFORMATION

### Program Description

U. T. El Paso proposes establishment of a Ph.D. in Chemistry to consist of 72 semester credit hours beyond the bachelor's level (or at least 42 hours beyond the master's level). The program will be administered by the Department of Chemistry and will provide opportunities for education and research in areas consistent with the strengths of department faculty and established research initiatives. The proposed program is designed to prepare professional chemists for careers in teaching and research in academic, industrial, and public sector settings. Complementing existing Ph.D. programs in Environmental Science and Engineering, Materials Science and Engineering, Geological Sciences and Biological Sciences, and a proposed program in Computational Science, a Chemistry Ph.D. program would contribute to the development of a broad research infrastructure in science consistent with U. T. El Paso and U. T. System goals for the rapid expansion of research that builds on established areas of excellence. The anticipated date for enrolling the first students is Fall 2006.

### Need and Student Demand

The creation of a Chemistry Ph.D. degree program at U. T. El Paso will provide important opportunities for the development of research and advanced training in areas that are key to Texas economic development and education goals. Graduates of the program will contribute to meeting an anticipated need for doctorally-trained chemists, particularly Hispanics, in industry and in academe. The program will also sustain the growth of research in an outstanding department. The border-region location also places the U. T. El Paso program to collaborate with locally-based industry to exploit the opportunities for commercialization of research results. Responding to the issues raised in the Texas Higher Education Coordinating Board's Closing the Gaps report, the program will build on the Department of Chemistry's proven record in attracting high-quality undergraduate and graduate students, a substantial proportion of whom are Mexican or Mexican American. By educating Hispanic Ph.D.s, the program will substantially increase the representation of Hispanics in chemistry and related professions in Texas and nationally. In the last five years, only 58 Mexican-Americans have received Ph.D.s in Chemistry in the United States. Thus, graduates of the U. T. El Paso program can play a crucial role in providing the faculty who have the skills to train future generations of scientists in an increasingly diverse state.

The program expects to enroll 22 students within a five-year term. The students will include existing undergraduate and master's students who have registered strong interest in pursuing doctoral studies in Chemistry. Moreover, students from regional universities in the southwest and Mexico have also shown strong interest in doctoral studies in Chemistry at U. T. El Paso.

#### Program Quality

The existing U. T. El Paso Chemistry faculty has a remarkable record of scholarly accomplishment and research activity. During the last five years annual research funding in Chemistry at U. T. El Paso has increased from \$1.6 million to \$7.1 million. During the same period the number of refereed publications rose from 20 to 48 per year. Two members of the faculty received national awards in 2004 for research undertaken at U. T. El Paso. A substantial proportion of the current faculty has considerable experience training doctoral students. Current research programs are linked to major funded research centers on the U. T. El Paso campus and have systematically involved graduate students. Current and anticipated faculty recruitment, including a Welch Foundation Chair, will enhance the quality of the program.

#### Program Cost

The expenditures for the first five years are anticipated to be \$3,679,000. The major costs will be for new equipment and enhancements of the existing library collections. This includes \$2,000,000 for new equipment, \$430,000 for needed facility renovation, \$285,000 for library resources, \$240,000 for staff support, \$40,000 to fund seminar and related programs for doctoral students and faculty, and \$684,000 to support graduate students. These costs will be met from credit hour formula funding, Permanent University Fund allocations, and reallocation of university resources, including formula-generated excellence funds. It is anticipated that external funds will cover an increasing portion of the program's cost after the initial development period.

#### **10. U. T. Pan American: Approval to expand planning authority for a Ph.D. in Rehabilitation in Counseling**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cárdenas that

- a. degree planning authority for U. T. Pan American be expanded to include a Ph.D. in Rehabilitation in Counseling; and
- b. the proposal be submitted to the Texas Higher Education Coordinating Board for review and appropriate action.

## BACKGROUND INFORMATION

The primary objective of the Ph.D. is to prepare a new generation of scholars and educators who will fully integrate the areas of teaching, learning, curriculum, and bilingual instruction.

The Ph.D. in Rehabilitation in Counseling will be designed to develop three specific skills: advanced teaching skills, evaluation of current research in rehabilitation counseling, and advanced research skills in counseling.

11. **U. T. San Antonio: Request to create the College of Education and Human Development Advisory Council (Regents' *Rules and Regulations*, Series 60302, regarding advisory councils)**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Romo that the U. T. System Board of Regents approve creation of the College of Education and Human Development Advisory Council.

## BACKGROUND INFORMATION

The establishment of an advisory council requires Board approval to comply with the Regents' *Rules and Regulations*, Series 60302. Membership in the College of Education and Human Development Advisory Council will be subject to approval by the Chancellor. The Advisory Council will provide counsel to the deans and support to U. T. San Antonio's fund-raising development efforts.

The College of Education and Human Development prepares professionals for leadership in education and human development organizations serving diverse populations across their life span. Faculty engage in a broad and robust program of research and provide extensive service to the community, the University, their profession, and the nation.

**12. U. T. San Antonio: Discussion of compact priorities**

REPORT

President Romo and Executive Vice Chancellor Sullivan will lead a discussion about compact priorities for The University of Texas at San Antonio as set out in the compact on Pages 53 - 70 in the Supplemental Materials (Volume 2) of the Agenda Book. Dr. Romo's PowerPoint presentation is on Pages 71 - 75 in the Supplemental Materials (Volume 2) of the Agenda Book.

**13. U. T. Arlington: Discussion of compact priorities**

REPORT

President Spaniolo and Executive Vice Chancellor Sullivan will lead a discussion about compact priorities for The University of Texas at Arlington as set out in the compact on Pages 76 - 90 in the Supplemental Materials (Volume 2) of the Agenda Book. President Spaniolo's PowerPoint presentation is on Pages 91 - 95 in the Supplemental Materials (Volume 2) of the Agenda Book. He will outline short-term priorities, excellence initiative objectives, strategic planning objectives, and development initiative objectives.



## TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

**Committee Meeting:** 11/9/2005

**Board Meeting:** 11/10/2005  
Austin, Texas

Rita C. Clements, *Chairman*  
H. Scott Caven, Jr.  
Judith L. Craven, *M.D.*  
Cyndi Taylor Krier  
Robert B. Rowling

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	1:00 p.m. <i>Chairman Clements</i>		
1. <b>U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine</b>	1:00 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>35</b>
2. <b>U. T. Medical Branch - Galveston: Update on Austin Women's Hospital</b>	1:05 p.m. <b>Report</b> <i>President Stobo</i>	Not on Agenda	<b>35</b>
3. <b>U. T. System: Report on investment in collaborative research projects</b>	1:10 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>35</b>
4. <b>U. T. Health Science Center - San Antonio: Report on Medical Arts and Research Center future plans</b>	1:15 p.m. <b>Report</b> <i>President Cigarroa</i> <i>Mr. George Hernandez, Jr.</i>	Not on Agenda	<b>36</b>
5. <b>U. T. Medical Branch - Galveston: Discussion of compact priorities</b>	1:20 p.m. <b>Report</b> <i>President Stobo</i> <i>Dr. Shine</i>	Not on Agenda	<b>36</b>
6. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase 10,710 square feet of land improved as a parking lot, being a portion of Lot 29, Block 16, Westmoreland Farms Amended First Subdivision, Houston, Harris County, Texas, from West Houston Healthcare Group, Ltd., at fair market value as established by an independent appraisal, for continued use as parking adjacent to the institution's Bellaire Radiation Treatment Center</b>	1:40 p.m. <b>Action</b> <i>President Mendelsohn</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>36</b>
7. <b>U. T. System: Approval of revisions to increase coverage for certain out-of-state externships and adoption of associated premiums to the U. T. System Professional Medical Liability Benefit Plan</b>	1:45 p.m. <b>Action</b> <i>Dr. Shine</i> <i>Mr. Burgdorf</i>	<b>Action</b>	<b>39</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. Health Science Center - San Antonio: Cyclotron Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project</b>	<i>1:55 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>40</b>
<b>Adjourn</b>	<i>2:00 p.m.</i>		

1. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.

2. **U. T. Medical Branch - Galveston: Update on Austin Women's Hospital**

REPORT

President Stobo will update the Board on the status and activities of the U. T. Medical Branch - Galveston - Austin Women's Hospital located on the fifth floor of Seton/Brackenridge Hospital in Austin as set out in the PowerPoint presentation on Pages 96 - 97 in the Supplemental Materials (Volume 2) of the Agenda Book.

3. **U. T. System: Report on investment in collaborative research projects**

REPORT

Over the past two years, the U. T. System Board of Regents has approved allocation of \$27 million from medical liability fund balances for support of collaborative research activities between the academic and health institutions of the U. T. System. In the chart attached on Page 35.1, the projects supported with these funds are outlined with the collaborative institutions identified.

## Collaborative Research Projects

	Fiscal Year	Project	Amount
UTMB	2004	UT Austin-UTMB Combined Degree Program	\$1.5M
	2004	Research on Underrepresented Minority Populations - UT Tyler, MDACC, et al.	\$1M
	2005	UT Austin-UTMB Combined Degree Program	\$3.15M
HC Tyler	2004	Center for Healthy Aging - UT Tyler	\$2.5M
	2005	Health Disparities Program - UT Tyler, UTMB, MDACC, et al.	\$.25M
SMC Dallas	2004	UTSMC/UTD/UTA Joint Program in Imaging Center	\$2.5M
	2005	Electronic Master Person Index - U. T. Public Health School-Houston	\$2.5M
HSC Houston	2004	MDACC/HSC Houston Molecular Imaging	\$2.5M
	2005	Brownsville Public Health Laboratory - UT Brownsville	\$1.8M
MDACC	2004	MDACC/HSC Houston Molecular Imaging	\$2.5M
	2005	Inst for the Early Detection & Treatment of Cancer - HSC Houston	\$1.9M
HSC SA	2004	San Antonio Life Sciences Institute Proposal - UTSA	\$2.5M
	2005	Bioinformatics/Computational Biology - UTSA	\$2.2M
	2005	Summer Research Mentoring Program - UTSA	\$.2M
<b>TOTAL</b>			<b>\$27M</b>

4. **U. T. Health Science Center - San Antonio: Report on Medical Arts and Research Center future plans**

REPORT

President Cigarroa will report on future plans for the Medical Arts and Research Center (MARC) using the PowerPoint presentation on Pages 98 - 106 in the Supplemental Materials (Volume 2) of the Agenda Book. (See Item 7 on Page 52 regarding a request for design development approval of the MARC in the Facilities Planning and Construction Committee.)

5. **U. T. Medical Branch - Galveston: Discussion of compact priorities**

REPORT

President Stobo and Executive Vice Chancellor Shine will lead a discussion about compact priorities for U. T. Medical Branch - Galveston as set out in the compact on Pages 107 - 129 in the Supplemental Materials (Volume 2) of the Agenda Book.

6. **U. T. M. D. Anderson Cancer Center: Authorization to purchase 10,710 square feet of land improved as a parking lot, being a portion of Lot 29, Block 16, Westmoreland Farms Amended First Subdivision, Houston, Harris County, Texas, from West Houston Healthcare Group, Ltd., at fair market value as established by an independent appraisal, for continued use as parking adjacent to the institution's Bellaire Radiation Treatment Center**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase approximately 10,710 square feet of land improved as a parking lot, being a portion of Lot 29, Block 16, Westmoreland Farms Amended First Subdivision, Houston, Harris County, Texas, from West Houston Healthcare Group, Ltd., at fair market value as established by an independent appraisal, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property

as deemed necessary or advisable by the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate; and

- b. authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

The subject property consists of approximately 10,710 square feet of land improved with a 22-space asphalt parking lot, located on Mapleridge Street immediately south of U. T. M. D. Anderson Cancer Center's Bellaire Radiation Treatment Center, 6602 Mapleridge Street, Houston, Texas. (See map on Page 38.1.) The institution has a perpetual easement to use the subject property for parking for the Bellaire Radiation Treatment Center and seeks to acquire the fee interest in the property. The easement allows the Center the nonexclusive use of any parking facilities on the property; nevertheless, the easement does not require that any parking facilities be provided.

U. T. M. D. Anderson Cancer Center acquired the Bellaire Radiation Treatment Center in early 2005. The subject property contains the majority of the Treatment Center's parking spaces, which are essential to the Center's present operations. Obtaining the fee interest in the subject property would give the institution certainty with respect to parking for the Treatment Center and flexibility for future expansion.

After acquisition, the improvements will remain and the site will continue to be used for parking. U. T. M. D. Anderson Cancer Center will use funds from the operation of the Bellaire Radiation Treatment Center to fund the purchase price estimated to be \$95,000; the terms and conditions of the acquisition are reflected in the transaction summary below:

#### Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 0.2459 acres or 10,710 square feet
Improvements:	Lighted and landscaped parking lot consisting of 22 asphalt-paved spaces, serving the Bellaire Radiation Treatment Center at 6602 Mapleridge Street, Houston, Texas

Location: A portion of Lot 29, Block 16, Westmoreland Farms Amended First Subdivision, Houston, Harris County, Texas

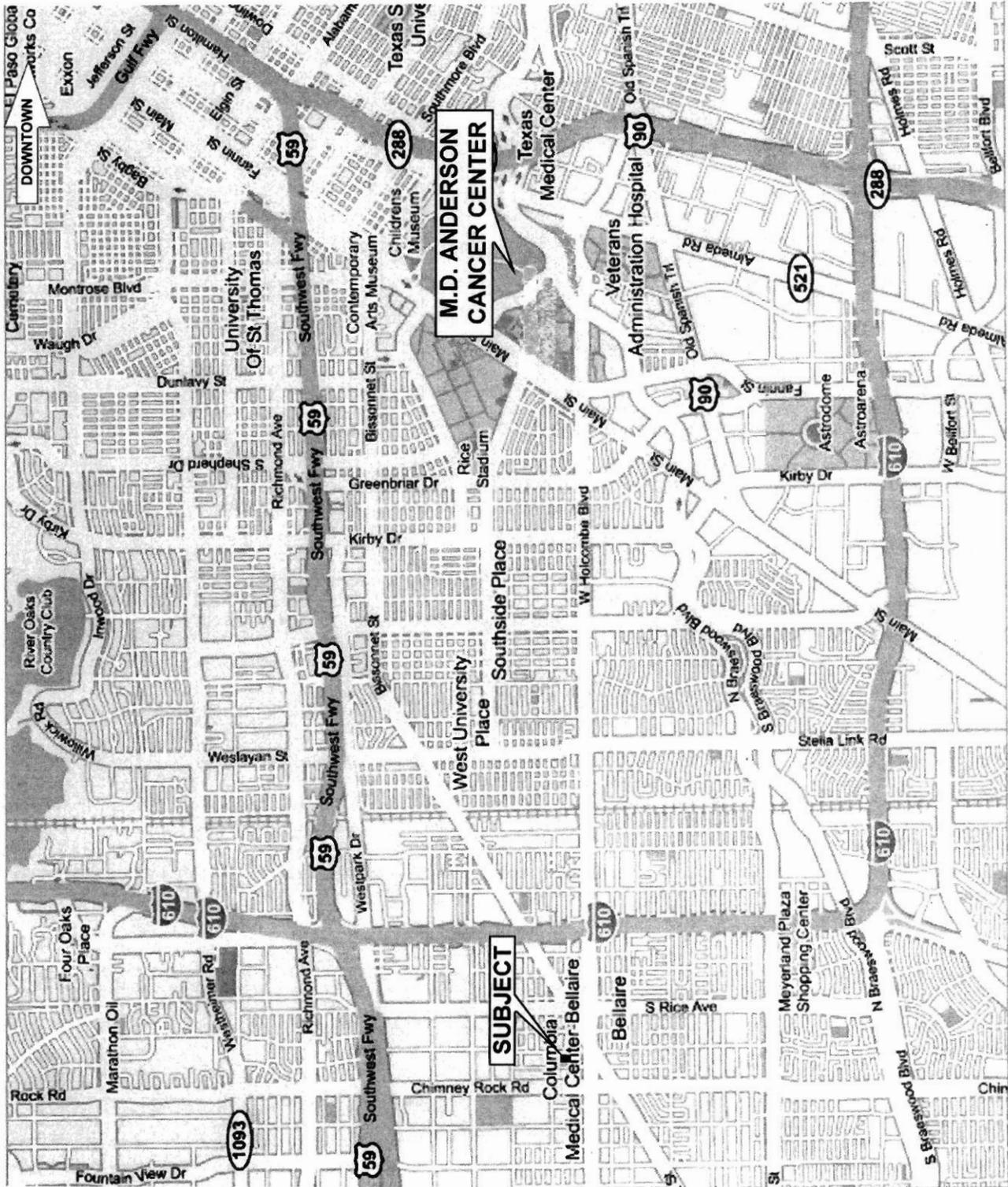
Seller: West Houston Healthcare Group, Ltd., an affiliate of Hospital Corporation of America, Inc.

Purchase Price: Estimated to be \$95,000 (contract not yet executed)

Appraised Value: \$95,000 (Gerald A. Teel Company, Inc., valued May 25, 2005) (the value of the fee simple interest, subject to the parking easement held by the Board of Regents of The University of Texas System)

Source of Funds: Funds from operation of the Bellaire Radiation Treatment Center

Intended Use: Parking lot for The University of Texas M. D. Anderson Cancer Center Bellaire Radiation Treatment Center



7. **U. T. System: Approval to amend the U. T. System Professional Medical Liability Benefit Plan**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that Article VII of the U. T. System Professional Medical Liability Benefit Plan be amended as shown below in congressional style to provide coverage up to \$1 million effective September 1, 2005, to U. T. medical students who are pursuing clinical externships outside of Texas.

**ARTICLE VII  
LIMITS OF LIABILITY**

...

**Limits of Liability Schedule**

The following limits shall apply unless lower liability limits are set by law, in which case the lower limits shall apply:

Staff Physician - \$500,000.00 per Liability Claim (up to \$1,500,000.00 for all Liability Claims during any one enrollment period)

Resident and Fellows - \$100,000.00 per Liability Claim (up to \$300,000.00 for all Liability Claims during any one enrollment period)

Medical or Dental Student - \$25,000.00 per Liability Claim (up to \$75,000.00 for all Liability Claims during any one enrollment period); upon approval by the Plan Administrator or a delegate, up to \$1,000,000.00 per Liability Claim (up to \$3,000,000.00 for all Liability Claims during any one enrollment period) for participation in an "away" or off-site experience outside of Texas sanctioned by the U. T. institution and not exceeding three months in duration during any one enrollment period

Annual Aggregate - \$30,000,000.00 for all Liability Claims for all Participants during any one Plan year

Per Claim Limitation - Plan liability shall be limited to \$2,000,000.00 per claim regardless of the number of the claimants or Plan Participants involved in an incident.

....

BACKGROUND INFORMATION

At the August 11, 2005 meeting of the Board of Regents, an amendment to the U. T. System Professional Medical Liability Benefit Plan was approved that extended coverage to U. T. medical students in out-of-state externships. The proposed amendment clarifies the amendment previously adopted to specifically provide this coverage "up to \$1 million" to prevent over-insurance since not all institutions require exactly \$1 million in coverage.

**8. U. T. Health Science Center - San Antonio: Cyclotron Addition - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to include the Cyclotron Addition project at The University of Texas Health Science Center at San Antonio at a preliminary project cost of \$3,000,000 with funding of \$1,600,000 from Gifts, \$900,000 from Unexpended Plant Funds, and \$500,000 from Library, Equipment, Repair and Rehabilitation (LERR).

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** January 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Gifts	\$1,600,000
	Library, Equipment, Repair and Rehabilitation	\$ 500,000
	Unexpended Plant Funds	<u>\$ 900,000</u>
		\$3,000,000

BACKGROUND INFORMATION

Project Description

U. T. Health Science Center - San Antonio is requesting the addition of approximately 3,000 gross square feet to the Robert F. McDermott Clinical Science Building for a cyclotron. Recently, Dr. Peter Fox, Director of the Research Imaging Center (RIC), was successful in recruiting a renowned scientist who requires a state-of-the-art dual-beam, negative-ion cyclotron. The RIC is used to study basic mechanisms of cognition,

learning, development, and aging in animal models for human diseases. One of the RIC's most heavily used resources is the cyclotron. The cyclotron is now a 13-year-old single beam system producing radiotracers that are used for imaging. The purchase of a dual-beam, negative-ion, 17 mega-electron-volt cyclotron and associated radio-synthetic equipment will approximately triple the production capacity of the present cyclotron and support radiopharmaceutical research.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.



## TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

*John W. Barnhill, Jr., Chairman*  
*H. Scott Caven, Jr.*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Colleen McHugh*

**Committee Meeting:** 11/9/2005

**Board Meeting:** 11/10/2005  
 Austin, Texas

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>2:00 p.m.</i> <i>Chairman Barnhill</i>		
1. <b>U. T. System Board of Regents: Amendment of Regents' <i>Rules and Regulations</i>, Series 80302, Section 3, regarding Architect Selection Advisory Committees</b>	<i>2:03 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>42</b>
2. <b>U. T. System Board of Regents: Amendments to the Regents' <i>Rules and Regulations</i>, Series 80402, Sections 1, 6, and 8 (Major Repair and Rehabilitation Projects)</b>	<i>2:06 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>42</b>
3. <b>U. T. System Board of Regents: Amendment of Regents' <i>Rules and Regulations</i>, Series 80403, Section 1 (Minor Repair and Rehabilitation Projects)</b>	<i>2:09 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>44</b>
4. <b>U. T. System Board of Regents: Adoption of Regents' <i>Rules and Regulations</i>, Series 80404, related to institutional management of Major Construction and Repair and Rehabilitation Projects</b>	<i>2:12 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>44</b>
5. <b>U. T. Austin: Biomedical Engineering Building - Request for approval of design development; revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt</b>	<i>2:15 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>48</b>
6. <b>U. T. Tyler: University Center Renovation/Expansion (Phase I) - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	<i>2:18 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>50</b>
7. <b>U. T. Health Science Center - San Antonio: Medical Arts and Research Center - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	<i>2:21 p.m.</i> <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	<b>52</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. M. D. Anderson Cancer Center: Bastrop Research and Education Building (Phase I of the Bastrop Facility Strategic Plan) - Request for approval of design development for Phase I of the project; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure</b>	2:24 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	54
9. <b>U. T. M. D. Anderson Cancer Center: Smithville Laboratory Building IV - (Phase I of the Smithville Facility Strategic Plan) - Request for approval of design development for Phase I of the project; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure</b>	2:27 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	56
10. <b>U. T. M. D. Anderson Cancer Center: South Campus Vivarium Facility - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure</b>	2:30 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	58
11. <b>U. T. Austin: Darrell K Royal - Texas Memorial Stadium Fire and Life Safety/Improvement Planning - Amendment to the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to increase total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	2:33 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	60
12. <b>U. T. Pan American: Chill Water Extension - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to authorize institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	2:37 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	62
13. <b>U. T. Pan American: New Chiller - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to authorize institutional management</b>	2:40 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	63
14. <b>U. T. San Antonio: East Campus Surface Parking Phases I, II, and III - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to increase total project cost and appropriation of funds and authorization of expenditure</b>	2:43 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	64
15. <b>U. T. Austin: Jack S. Blanton Museum of Art Phases I and II - Request for acceptance of gifts of outdoor works of art</b>	2:52 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	65
16. <b>U. T. Austin: Honorific naming of the Power Plant Extension, the Hal C. Weaver Power Plant, and the Power Plant Annex as the Carl J. Eckhardt Power and Heating Complex</b>	2:55 p.m. <b>Action</b> <i>Mr. Dixon</i>	<b>Action</b>	66
<b>Adjourn</b>	3:00 p.m.		

1. **U. T. System Board of Regents: Amendment of Regents' Rules and Regulations, Series 80302, Section 3, regarding Architect Selection Advisory Committees**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 80302, Section 3, regarding Building Committees, be amended as set forth below in congressional style:

Sec. 3 Architect Selection Advisory Committees. Architect Selection Advisory Committees for Major Projects shall be appointed by the institutional president in consultation with the Office of Facilities Planning and Construction and the Associate Vice Chancellor for Facilities Planning and Construction. The Architect Selection Advisory Committee is authorized to evaluate, rank, and make selection recommendations of project architects for appointment by the Executive Vice Chancellor for Business Affairs Chancellor, with the exception of Special Interest Projects discussed in Section 4 below. Architect Selection Advisory Committees for Minor Projects shall be appointed by the president of the institution.

**BACKGROUND INFORMATION**

In the Regents' *Rules and Regulations*, most project authority is delegated directly to the Executive Vice Chancellor for Business Affairs. This change makes Series 80302 consistent with other rules on this topic.

2. **U. T. System Board of Regents: Amendments to the Regents' Rules and Regulations, Series 80402, Sections 1, 6, and 8 (Major Repair and Rehabilitation Projects)**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 80402, Sections 1, 6, and 8, regarding Major Repair and Rehabilitation Projects, be amended as set forth below in congressional style:

Sec. 1 Contract Authorization - Architects. Subject to Regents' *Rules and Regulations* Series 80301 and Series 10501, and

Sections 2, 3, 4 and 5 below, and except as otherwise specified in these *Rules and Regulations*, the Executive Vice Chancellor for Business Affairs ~~Associate Vice Chancellor for Facilities Planning and Construction~~, with the advice of the Associate Vice Chancellor for Facilities Planning and Construction ~~appropriate Executive Vice Chancellor~~ and institutional president, is authorized to appoint architects and execute contracts for professional services ~~approve plans~~.

- Sec. 6 Contract Management. The Associate Vice Chancellor for Facilities Planning and Construction ~~Executive Vice Chancellor for Business Affairs~~ shall approve the construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price, or stipulated sum proposals; sign change orders; and provide general supervision of all Major Projects.
- Sec. 8 Facility Program. A facility program shall be prepared for all Major Projects in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction. The facility program must be approved by the president of the institution.

### BACKGROUND INFORMATION

The proposed amendment to Regents' *Rules and Regulations*, Series 80402, Section 1 is needed because in the Regents' *Rules and Regulations* most project authority is delegated directly to the Executive Vice Chancellor for Business Affairs. This change makes Series 80402 consistent with other rules on this topic.

The proposed amendment to Regents' *Rules and Regulations*, Series 80402, Section 6 is needed because these duties have typically been delegated from the Executive Vice Chancellor for Business Affairs to the Associate Vice Chancellor for Facilities Planning and Construction and others under his direction. The proposed change to Regents' *Rules and Regulations*, Series 80402, Section 6 is consistent with past and current practices in the management of Major Projects.

The proposed amendment to Regents' *Rules and Regulations*, Series 80402, Section 8 is needed because the current *Rules and Regulations* do not clearly require the development of facility program on all Major Projects. Development of a facility program is a critical step in the development of a Major Project because it is the document that quantifies the needs of the end user and the functional goals of the design.

3. **U. T. System Board of Regents: Amendment of Regents' Rules and Regulations, Series 80403, Section 1 (Minor Repair and Rehabilitation Projects)**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 80403, Section 1, regarding Minor Repair and Rehabilitation Projects, be amended as set forth below in congressional style:

- Sec. 1 Delegation of Authority. Subject to Sections 2 and 3 immediately below and the general provisions of Series 10501 of the Regents' *Rules and Regulations* and except as otherwise specified in these *Rules and Regulations*, each institution president or the Executive Vice Chancellor for Business Affairs, as appropriate Chancellor, is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, guaranteed maximum price or stipulated sum proposals, and other documents on behalf of the Board of Regents for all new construction projects of \$1 million or less and for repair and rehabilitation projects of \$2 million or less ("Minor Projects").

**BACKGROUND INFORMATION**

In the Regents' *Rules and Regulations*, most project authority is delegated directly to the Executive Vice Chancellor for Business Affairs. This change makes Series 80403 consistent with other rules on this topic.

4. **U. T. System Board of Regents: Adoption of Regents' Rules and Regulations, Series 80404, related to institutional management of Major Construction and Repair and Rehabilitation Projects**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that a new rule related to institutional management of Major Construction and Repair and Rehabilitation Projects, as set forth on Pages 45 - 47, be added to the Regents' *Rules and Regulations*, as Series 80404.

**1. Title**

Institutional Management of Major Construction and Repair and Rehabilitation Projects

**2. Rule and Regulation**

- Sec. 1 Contract Authorization - Architects. Subject to Regents' *Rules and Regulations* Series 80301, Series 10501, and Sections 2, 3, 4, and 5 below, and except as otherwise specified in these *Rules and Regulations*, the institutional president, with the advice of the appropriate Executive Vice Chancellor, is authorized to appoint architects and execute contracts for professional services.
- Sec. 2 Contract Authorization - Construction. The institutional president is authorized to execute construction and related contracts for all new construction projects and for all major repair and rehabilitation projects that have previously been approved or authorized for institutional management by the Board of Regents in the Capital Improvement Program (CIP).
- Sec. 3 Standardized Contracts. Construction contracts executed and delivered on behalf of the Board of Regents for Major Projects shall comply with guidelines issued by the U. T. System Administration Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.
- Sec. 4 Capital Budget. Funding for Major Repair and Rehabilitation Projects that are not architecturally or historically significant may be appropriated by the Board of Regents through the Capital Budget. Funding for all other Major Projects is appropriated at the time of design development plan approval.

- Sec. 5 Approval for Excess Costs or Material Change. Costs in excess of an amount equal to the Total Project Cost approved by the Board of Regents plus 10% or any material change in the concept or scope of the project must be approved by the Board.
- Sec. 6 Contract Management. The institutional president shall approve the construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price, or stipulated sum proposals; sign change orders; and provide general supervision of all Major Projects.
- Sec. 7 Authority to Increase Project Cost. The institutional president, with the advice of the appropriate Executive Vice Chancellor, is authorized to increase the approved Total Project Cost not more than 10%. To provide funding for the increase, the institutional president may reallocate funding between or among approved projects at the institution if funding for such projects has previously been authorized or is from some other source of approved funds available to the institution.
- Sec. 8 Facility Program. A facility program shall be prepared in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction. The facility program must be approved by the president of the institution.
- Sec. 9 Adherence with Campus Master Plan. Requests for Qualifications (RFQs) issued to solicit responses from interested architects will include a requirement that the architect evidence agreement to adhere to the approved Campus Master Plan and a set of criteria applicable to the facility program and the needs of the institution.
- Sec. 10 Preparation of Design Development Plans. After approval of the facility program, the institutional president is authorized to give the project architect, engineer, or design-build contractor the facility program and the Campus Master Plan and to direct the preparation of schematic plans, exterior design, site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans") and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to establish the scope, design, dimensions, and materials of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect, engineer,

or design-build contractor shall work with the Ad Hoc Project Building Committee, if any, and the institutional president with regard to architectural design and construction projects.

- Sec. 11 Approval of Design Development Plans. Design Development Plans for institutionally managed Major Project new construction and repair and rehabilitation projects shall be submitted to the Board of Regents for approval upon the recommendation of the Chancellor. The institutional president shall be responsible for identifying to the Board of Regents special interest projects.
- Sec. 12 Expenditure Authorization. Upon approval of the Design Development Plans for institutionally managed Major Project new construction or repair and rehabilitation projects, the Board of Regents will authorize expenditure of funds for the projects.
- Sec. 13 Construction Documents. After approval of the Design Development Plans, the institutional president is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").

### **3. Definitions**

Facility Program – A project planning document that organizes and summarizes client needs and programmatic information needed to design a capital project. It is generated through a process of collecting, analyzing, synthesizing, and documenting significant requirements for a Project prior to proceeding into the Design Phase.

Major Project – Any project that meets one or more of the following criteria: 1) new construction with a value of at least \$1 million, 2) repair and rehabilitation projects with a value of at least \$2 million, 3) any project determined by the Board to be architecturally or historically significant, 4) any project that is debt financed (RFS, TRB, PUF) regardless of dollar value except those projects appropriated through the LERR budget, and 5) any campus planning efforts that are intended to result in a capital project meeting one or more of these criteria.

### **BACKGROUND INFORMATION**

Current Regents' *Rules and Regulations*, Series 80301, Section 5, require that Major Projects designated for institutional management follow the same process, authority and approvals required for Minor Projects. However, the regulations applicable to Minor Projects are no longer adequate to protect the interests of U. T. System. The proposed new Regents' *Rules and Regulations*, Series 80404 is adapted from Series 80402 which

governs the management of Major Projects. Adoption of the new rule will bring consistency to the management of Major Projects across the U. T. System.

**5. U. T. Austin: Biomedical Engineering Building - Request for approval of design development; revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. System Board of Regents approve the recommendations for the Biomedical Engineering Building project at The University of Texas at Austin as follows:

**Project Number:** 102-172

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** July 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$43,900,000	\$40,500,000
	Gifts	\$ 8,000,000	\$ 8,000,000
	Unexpended Plant Funds	<u>\$ 3,200,000</u>	<u>\$ 6,600,000</u>
		\$55,100,000	\$55,100,000

- a. approve design development plans;
- b. revise funding sources;
- c. appropriate funds and authorize expenditure of funds;
- d. approve the evaluation of alternative energy economic feasibility; and
- 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. 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 \$40,500,000.

## BACKGROUND INFORMATION

### Debt Service

The \$40,500,000 in Revenue Financing System debt will be repaid from net revenues generated from indirect cost recovery. Total annual debt service on the project is estimated at \$2,634,583. Debt service coverage on the project is expected to be 1.50 times in each of the first three years of operation (FY 2008 - FY 2010).

### Previous Board Actions

On August 7, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$25,000,000 with funding from Designated Tuition. On November 12, 2003, the Board designated the project as architecturally significant. On August 11, 2005, the total project cost was increased to \$55,100,000 with funding of \$43,900,000 from Revenue Financing System Bond Proceeds, \$8,000,000 from Gifts, and \$3,200,000 from Unexpended Plant Funds.

### Project Description

The building will consist of six floors containing approximately 140,700 gross square feet to house the College of Engineering (Biomedical Engineering) currently housed in three separate facilities, provide quality laboratory research space for the College of Pharmacy (Medicinal Chemistry), and provide biology teaching laboratory space for the College of Natural Sciences. Changing the funding sources more accurately reflects the financial model to optimize the amount of debt on the project.

The building will provide new administrative, faculty, and student spaces, research, teaching, and computer laboratories plus seminar and conference room spaces to support a variety of research and education activities.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an

evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**6. U. T. Tyler: University Center Renovation/Expansion (Phase I) - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

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 University Center Renovation/Expansion (Phase I) project at The University of Texas at Tyler as follows:

**Project Number:** 802-227

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$11,000,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; 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. Tyler, 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 \$11,000,000.

## BACKGROUND INFORMATION

### Debt Service

The \$11,000,000 in Revenue Financing System debt will be repaid from net revenues generated from student fees. Average annual debt service on the project is estimated at \$714,173 over the first 10 years (FY 2006 - FY 2015). Annual debt service will level at \$756,859 in FY 2007. Debt service coverage on the project is expected to be at least 1.39 times and average 1.71 times over the first 10 years of operation.

### Previous Board Action

On August 11, 2005, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$11,000,000 with funding from Revenue Financing System Bond Proceeds.

### Project Description

The project will consist of renovation of the first floor of the existing building and an expansion to meet increased space needs. The Phase I project will include expansion of food services, a bookstore, and meeting space and offices for support staff.

The first floor renovation will include updating building systems including HVAC, plumbing, electrical and telephone/data as well as the installation of a fire sprinkler system.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**7. U. T. Health Science Center - San Antonio: Medical Arts and Research Center - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents approve the recommendations for the Medical Arts and Research Center project at The University of Texas Health Science Center at San Antonio as set forth below. President Cigarroa will report on future plans for the Research Center during the meeting of the Health Affairs Committee on November 9, 2005 (see Item 4 on Page 35).

**Project Number:** 402-191

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** September 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$85,000,000
	Medical Services, Research and Development Plan	<u>\$10,000,000</u>
		\$95,000,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; 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. Health Science Center - San Antonio, 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 \$85,000,000.

## BACKGROUND INFORMATION

### Debt Service

The \$85,000,000 in Revenue Financing System debt will be repaid from net revenues generated by medical services, parking, rent, and royalties. Average annual debt service on the project is estimated at \$6,456,035 during the first eight years (FY 2006 - FY 2013). Annual debt service will level at \$8,573,874 in FY 2010. Debt service coverage on the project is expected to be at least 1.45 times and average 2.30 times during the project's first 13 years of operation.

### Previous Board Actions

On November 3, 2003, the project was included in the Capital Improvement Program (CIP) as a feasibility and planning study with a preliminary project cost of \$300,000 with funding from Medical Services, Research and Development Plan (MSRDP). On August 11, 2005, the project was included in the CIP with a preliminary project cost of \$95,000,000 with funding of \$85,000,000 from Revenue Financing System Bond Proceeds and \$10,000,000 from MSRDP.

### Project Description

The proposed project will support ambulatory clinical care services and clinical research activities for the School of Medicine Faculty Practice Plan. The ambulatory clinic building will be approximately 188,870 gross square feet and the faculty office will be approximately 62,000 gross square feet. Site improvements include landscaping, new drives for access to the new building, and parking structures for approximately 1,000 cars.

The U. T. Health Science Center - San Antonio's nonprofit health corporation, University Physicians Group (UPG), is the organizational structure through which the

University conducts its clinical care activities. UPG currently leases clinical space in eight separate locations throughout the city. The two main clinic sites are the Diagnostic Pavilion located adjacent to the University campus, and the Brady Green Clinic located in downtown San Antonio. The Medical Arts and Research Center will replace the Diagnostic Pavilion and allow consolidation of other services from many of the smaller sites currently in use. The proposed expansion will enhance the clinical mission in four thematic service areas to include Signature Programs, Core Clinical Services, Diagnostic and Surgical Center, and Shared Community Resources.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**8. U. T. M. D. Anderson Cancer Center: Bastrop Research and Education Building (Phase I of the Bastrop Facility Strategic Plan) - Request for approval of design development for Phase I of the project; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the first phase of the Bastrop Research and Education Building project at The University of Texas M. D. Anderson Cancer Center as follows:

**Project Number:** 703-195

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** January 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$10,000,000
	Hospital Revenues (Phase I)	\$ 7,000,000
	Grants (Phase I)	<u>\$ 4,000,000</u>
		\$21,000,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility; and
- c. appropriate funds and authorize expenditure of funds.

### BACKGROUND INFORMATION

#### Previous Board Action

On August 7, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$9,000,000 with funding from Hospital Revenues. With the adoption of the FY 2006-2011 CIP on August 11, 2005, the project was included in the CIP with a preliminary project cost of \$21,000,000 with funding of \$10,000,000 from Revenue Financing System Bond Proceeds, \$7,000,000 from Hospital Revenues, and \$4,000,000 from Grants.

#### Project Description

The first phase of the Bastrop Research and Education Building (BREB) consists of a building of approximately 34,000 gross square feet to provide basic research laboratories, education space, primate research laboratories, pathology support, and various site and infrastructure upgrades. The building will be consistent with the low-rise/low profile theme of the Bastrop campus and will contain a combination of laboratories, offices, conference, and teaching spaces. Design development approval for Phase II of the project will be requested at a future Board date.

The recruitment of Dr. Christian Abee to the Bastrop campus has created a need to house his owl monkey and squirrel monkey colonies. Dr. Abee had already secured a National Institutes of Health (NIH) grant at his previous position with the University of South Alabama. This grant is currently being transferred to U. T. M. D. Anderson Cancer Center. Combining the scope of the NIH grant with the BREB and the previously scheduled pathology renovation for this campus revealed that efficiencies could be gained by combining these programs into one building. The BREB will support institutional objectives for accommodating vivarium and office space needs, increasing research, education, and support space with the construction of this new facility. A portion of the building related to Pathology will be shelled out.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating

alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**9. U. T. M. D. Anderson Cancer Center: Smithville Laboratory Building IV - (Phase I of the Smithville Facility Strategic Plan) - Request for approval of design development for Phase I of the project; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the first phase of the Smithville Laboratory Building IV project at The University of Texas M. D. Anderson Cancer Center as follows:

**Project Number:** 703-235  
**Institutionally Managed:** Yes  No   
**Architecturally or Historically Significant:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** December 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$18,000,000
	Hospital Revenues (Phase I)	<u>\$12,300,000</u>
		\$30,300,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility; and
- c. appropriate funds and authorize expenditure of funds.

## BACKGROUND INFORMATION

### Previous Board Actions

On August 7, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$30,000,000 with funding from Hospital Revenues. With the adoption of the FY 2006-2011 CIP on August 11, 2005, the project was included in the CIP with a preliminary project cost of \$30,300,000 with funding of \$18,000,000 from Revenue Financing System Bond Proceeds and \$12,300,000 from Hospital Revenues.

### Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. These institutionally managed projects are subject to review by the Board of Regents for design development.

This is the first phase of this \$30,300,000 project. The Smithville Laboratory Building IV project consists of five elements:

- a fourth research laboratory building of 23,000 gross square feet;
- a new auditorium/office building of 12,000 gross square feet;
- a cell line preservation/storage addition of 2,800 gross square feet;
- phase four expansion of the animal building of 4,400 gross square feet; and
- a new central heating and cooling plant of 5,500 gross square feet, renovation of mechanical systems in Laboratory Buildings I and II, plus site and infrastructure upgrades to support the new buildings.

U. T. M. D. Anderson Cancer Center is seeking approval to proceed with the first phase of this project, consisting of construction of the fourth research laboratory building and infrastructure improvements on the campus, with a total project cost of \$12,300,000 for this first phase. Design development approval for Phase II of the project will be requested at a later date.

The other projects in the first phase are the creation of a central plant to increase capacity and improve efficiency of distributed utilities to serve the new Laboratory Building IV and replace existing equipment serving Laboratory Buildings I, II, and III;

the addition of new roadways and parking to accommodate current needs including necessary access and parking to support Laboratory Building IV; and utility upgrades/renovations in Laboratory Buildings I and II.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**10. U. T. M. D. Anderson Cancer Center: South Campus Vivarium Facility - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; and appropriation of funds and authorization of expenditure**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the South Campus Vivarium Facility project at The University of Texas M. D. Anderson Cancer Center as follows:

**Project Number:** NA  
**Institutionally Managed:** Yes  No   
**Architecturally or Historically Significant:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** July 2007  
**Total Project Cost:**

<u>Source</u> Hospital Revenues	<u>Current</u> \$25,000,000
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- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility; and
- c. appropriate funds and authorize expenditure of funds.

## BACKGROUND INFORMATION

### Previous Board Action

On August 11, 2005, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$25,000,000 with funding from Hospital Revenues.

### Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

The South Campus Vivarium is an expansion and renovation of existing facilities. The selected site for the expansion and renovation is the Physical Plant Building, which is located on Knight Road between the Smith Research Building (SRB) and the South Campus Research Building 1. This project will provide housing for mice within a floor area of approximately 38,000 gross square feet, and includes shell space for subsequent phases to be constructed in the future. This project will also begin integrating the expanded and renovated facility with the existing SRB vivarium to create a single, unified structure. The expanded and renovated facility will accommodate a total planned population of 60,000 mice (including the capacity of the existing SRB vivarium) in 74,200 gross square feet. The project will also provide administrative offices, a break room, and support facilities for personnel.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

**11. U. T. Austin: Darrell K Royal - Texas Memorial Stadium Fire and Life Safety/Improvement Planning - Amendment to the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to increase total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. System Board of Regents approve the recommendations for the Darrell K Royal - Texas Memorial Stadium Fire and Life Safety/Improvement Planning project at The University of Texas at Austin as follows:

**Project Number:** 102-081

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** August 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$11,000,000	\$15,000,000

- a. increase total project cost;
- b. appropriate funds and authorize expenditure of funds; 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 \$4,000,000.

## BACKGROUND INFORMATION

### Debt Service

The \$15,000,000 in total Revenue Financing System debt will be repaid from net revenues generated from Centennial Room/West Stadium seating. Average annual debt service on the project is estimated at \$838,946 over the first five years (FY 2006 - FY 2010). Annual debt service will level at \$1,060,744 in FY 2008. Debt service coverage on the project is expected to be at least 1.59 times and average 2.51 times during the project's first five years.

### Previous Board Actions

On December 10, 2004, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$5,000,000 with funding from Auxiliary Enterprise Balances. On August 11, 2005, the Board approved the design development plans and increased the total project cost to \$10,000,000 with funding from Revenue Financing System Bond Proceeds. On September 22, 2005, the Chancellor approved increasing the total project cost to \$11,000,000.

### Project Description

This project began as a comprehensive feasibility and planning study of the Darrell K Royal - Texas Memorial Stadium. The full scope of options and associated costs for improving the fire and life safety of the stadium have been recommended to define current code and infrastructure needs.

The Stage 1 - Belmont Hall Renovation portion of the Stadium Fire and Life Safety/Improvement Planning project will address several life safety concerns within the existing Belmont Hall, and provide waterproofing and structural repairs and building system upgrades. The project will also include renovation and expansion of the ninth floor Centennial Room, the addition of fixed seating at that level, renovations to the eighth floor Press Box area to accommodate additional working press, and renovations to the ninth and tenth floors for Kinesiology.

The Stage 2 - North End Zone Expansion portion of the Stadium Fire and Life Safety/Improvement Planning project will address many life safety, structural, and accessibility deficiencies and noncompliant issues in the existing north grandstand. Reconstruction of this area will resolve these issues, and new construction may include spaces for cheering facilities, stadium services, central receiving, commissary, loading dock/TV truck services, gymnasium, concourse, food service, restrooms, EMS,

ticketing, foundation, museums, Kinesiology, academics, club and suite levels, and general seating. The project will extend into the existing East and West Grandstands, including Belmont Hall, to complete the life safety code upgrades.

**12. U. T. Pan American: Chill Water Extension - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to authorize institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Cárdenas that the U. T. System Board of Regents approve the recommendations for the Chill Water Extension project at The University of Texas - Pan American as follows:

**Project Number:** 901-234

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** February 2007

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$625,000

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2006-2007 Capital Budget to authorize institutional management;
- b. appropriate funds and authorize expenditure of funds; 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. Pan American, 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 \$625,000.

BACKGROUND INFORMATION

Debt Service

The \$625,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service is estimated at \$5,449. Overall debt service coverage for the institution is expected to average 3.57 times from FY 2006 through 2011.

Previous Board Action

On August 11, 2005, the project was included in the CIP with a preliminary project cost of \$625,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The project will extend the present chill water loop approximately 1,700 linear feet to new construction sites. New construction for student housing and the Wellness and Recreation Sports Complex require the chill water loop to be extended.

U. T. Pan American Facilities Management personnel have the experience and capability to manage all aspects of the work.

**13. U. T. Pan American: New Chiller - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to authorize institutional management**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Cárdenas that the U. T. System Board of Regents amend the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to authorize institutional management for the New Chiller project at U. T. Pan American as follows:

Project Number: NA  
 Architecturally or Historically Significant: Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** November 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Higher Education Assistance Funds	\$1,200,000

### BACKGROUND INFORMATION

#### Previous Board Action

On August 11, 2005, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$1,200,000 with funding from Higher Education Assistance Funds (HEAF).

#### Project Description

The project will replace a 30-year old 600 ton chiller with a new 2,000 ton chiller in the Cooling Plant. Campus cooling capacity will increase to accommodate new construction and expand present needs.

U. T. Pan American Facilities Management personnel have the experience and capability to manage all aspects of the work.

14. **U. T. San Antonio: East Campus Surface Parking Phases I, II, and III - Amendment of the FY 2006-2011 Capital Improvement Program and the FY 2006-2007 Capital Budget to increase total project cost and appropriation of funds and authorization of expenditure**

### RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents approve the recommendations for the East Campus Surface Parking Phases I, II, and III project at The University of Texas at San Antonio as follows:

**Project Number:** 401-199  
**Architecturally or Historically Significant:** Yes  No   
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** November 2005

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$2,594,500	\$2,594,500
	Unexpended Plant Funds (HEAF)	<u>\$ 259,450</u>	<u>\$ 388,877</u>
		\$2,853,950	\$2,983,377

- a. amend the FY 2006-2011 Capital Improvement Program (CIP) and the FY 2006-2007 Capital Budget to increase the total project cost from \$2,853,950 to \$2,983,377; and
- b. appropriate the additional funding of \$129,427 from Unexpended Plant Funds and authorize expenditure.

### BACKGROUND INFORMATION

#### Previous Board Action

On August 7, 2003, the project was included in the CIP as an institutionally managed project with a preliminary project cost of \$2,594,500 with funding from Revenue Financing System Bond Proceeds. On September 1, 2005, the Chancellor approved an increase to the total project cost from \$2,594,500 to \$2,853,950 with additional funding of \$259,450 from Unexpended Plant Funds.

#### Project Description

Construction of these three separate institutionally managed projects will provide parking spaces, utilities, drainage, sidewalks, and roadway work. The Phase I project will contain 613 parking spaces, two main roadways, a bus stop, ADA parking spaces, and sidewalks and provide above ground drainage work. The Phase II project will be adjacent to the Phase I parking area and contain 200 parking spaces. The Phase III parking area will contain 310 parking spaces, a bus stop, ADA parking spaces, sidewalks, and underground drainage work and be located east of the Phase I and Phase II sites. The increase in the total project cost is being requested in order to complete the scope of work.

#### **15. U. T. Austin: Jack S. Blanton Museum of Art Phases I and II - Request for acceptance of gifts of outdoor works of art**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for External Relations, and President Faulkner that the U. T. System Board

of Regents accept the gifts of outdoor works of art for the Jack S. Blanton Museum of Art Phases I and II at The University of Texas at Austin in accordance with Regents' *Rules and Regulations*, Series 60101, Section 2.1 regarding outdoor works of art.

### BACKGROUND INFORMATION

The Jack S. Blanton Museum of Art Phases I and II has received a work by sculptor Mr. Richard Long as a gift from Mr. Blanton's children to honor their father. Mr. Richard Long is a world-renowned British artist whose sculpture, often circles of rocks, commemorate long walks that he has taken in the British countryside. Based on a long artistic tradition of inspirational landscape artwork, Mr. Long's works are meant to provide occasions for contemplation and appreciation of nature. The sculpture is formed by pieces of slate placed in a solid circle on the ground. The work is sited by the landscape architect for the project, Mr. Peter Walker, amidst a grove of flowering trees in the southeast corner of the Blanton landscaping. U. T. Austin will cover the minimal cost of installing and maintaining the work. [See picture on Page 130 of the Supplemental Materials (Volume 2) of the Agenda Book.]

The Jack S. Blanton Museum of Art received a second donation of important outdoor landscape art work by Ms. Meg Webster from major Blanton Museum patrons, Mr. and Mrs. Michael and Jeanne Klein. Ms. Webster made the work especially for the Klein home in Houston which has been sold. The work is proposed to be reconfigured on the grounds of the Blanton Museum, adjacent to the Richard Long sculpture. All costs of installation will be paid by the Kleins. Maintenance costs, which are minimal, will be borne by the Museum. Ms. Meg Webster is a nationally known artist who works with landscaping. The work is a gentle depression in the ground lined with native plants. The proposed placement amidst a grove of flowering trees has been directed by landscape architect Mr. Peter Walker. Like the Long sculpture, the work is meant to inspire contemplation and appreciation of nature. [See picture on Page 131 of the Supplemental Materials (Volume 2) of the Agenda Book.]

16. **U. T. Austin: Honoric naming of the Power Plant Extension, the Hal C. Weaver Power Plant, and the Power Plant Annex as the Carl J. Eckhardt Power and Heating Complex**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for External Relations, and President Faulkner that the U. T. System Board of Regents approve the naming of the Power Plant Extension, the Hal C. Weaver Power Plant, and the Power Plant Annex at The University of Texas at Austin as the Carl J. Eckhardt Power and Heating Complex.

## BACKGROUND INFORMATION

U. T. Austin is requesting that the power and heating system complex be named in honor of the late Professor Emeritus Carl J. Eckhardt. The buildings included in the complex are the Power Plant Extension, the Hal C. Weaver Power Plant, and the Power Plant Annex.

Professor Eckhardt has made numerous contributions to U. T. Austin for 70 years. He graduated from U. T. Austin in 1925 with a Bachelor of Science degree in Mechanical Engineering and a Master of Science in 1930. He served as superintendent of the Power Plant beginning in 1930 and continued as superintendent of Utilities in 1937. He then served as the first director of the Physical Plant from 1950 to 1970.

Academically, he served as a mechanical engineering instructor starting in 1926, and retired as a professor of mechanical engineering in 1973. He was also an avid student of U. T. history, writing and publishing many books including *The Promise of Greatness*, *One Hundred Faithful to The University of Texas at Austin*, *In the Beginning of The University of Texas*, *Presidents of The University of Texas at Austin*, *On This Hallowed Ground*, *From Whence We Came*, and *Facts and Stories About Fifty Golden Years at The University of Texas*. He continued to work as a professor emeritus until his death in 1995.

Professor Eckhardt's accomplishments include key roles in honor societies and professional societies. He was honored with Fellow grade membership and six different Certificates of Award from The American Society of Mechanical Engineers.

In 1984, the U. T. System Board of Regents approved the creation of the Carl J. Eckhardt Fellowship in Mechanical Engineering through the Centennial Teachers and Scholars Matching Program.

The proposed naming of the power and heating system complex at U. T. Austin to recognize the distinguished contributions of Professor Carl J. Eckhardt to U. T. Austin is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to honorific naming of facilities.



## TABLE OF CONTENTS FOR STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE

**Committee Meeting:** 11/10/2005

**Board Meeting:** 11/10/2005  
Austin, Texas

*Judith L. Craven, M.D., Chairman*  
*John W. Barnhill, Jr.*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Colleen McHugh*  
*Ms. Ann Tate, Chair, Employee Advisory Council*  
*Dr. Barry Norling, Chair, Faculty Advisory Council*  
*Mr. Brent Chaney, Chair, Student Advisory Council*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	8:00 a.m. <i>Chairman Craven</i>		
<b>1. U. T. Pan American: Overview of the institution</b>	8:00 a.m. <b>Report</b> <i>President Cárdenas</i>	Not on Agenda	<b>68</b>
<b>2. U. T. System: Report on project to track diversity issues</b>	8:20 a.m. <b>Report</b> <i>Dr. Reyes</i> <i>Dr. Kelman</i>	Not on Agenda	<b>68</b>
<b>3. U. T. System: Report on enrollment</b>	8:40 a.m. <b>Report</b> <i>Dr. Sullivan</i> <i>Dr. Shine</i>	Not on Agenda	<b>68</b>
<b>Adjourn</b>	8:55 a.m.		

1. **U. T. Pan American: Overview of the institution**

REPORT

President Cárdenas will provide an overview of U. T. Pan American. A PowerPoint presentation is attached on Pages 132 - 148 of the Supplemental Materials (Volume 2) of the Agenda Book.

This is the fourth in a series of campus life presentations that will be made at the Student, Faculty, and Staff Campus Life Committee meetings.

2. **U. T. System: Report on project to track diversity issues**

REPORT

Dr. Pedro Reyes, Associate Vice Chancellor for Academic Planning and Assessment, and Dr. Marsha Kelman, Assistant Vice Chancellor for Institutional Studies and Policy Analysis, will discuss plans to gather data that provide comparable information about faculty and staff diversity for all campuses. A PowerPoint presentation is attached on Pages 149 - 155 of the Supplemental Materials (Volume 2) of the Agenda Book.

3. **U. T. System: Report on enrollment**

REPORT

Executive Vice Chancellor Sullivan and Executive Vice Chancellor Shine will report on enrollment at the U. T. System institutions.