

Meeting No. 1,161

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

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April 10, 2017

Austin, Texas

MEETING NO. 1,161

MONDAY, APRIL 10, 2017.--The members of the Board of Regents of The University of Texas System convened a special called meeting at 10:31 a.m. via telephone conference call on Monday, April 10, 2017, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Eltife
Regent Longoria
Regent Tucker
Regent Weaver
Regent Joseph, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in Open Session.

RECESS TO EXECUTIVE SESSION.--At 10:31 a.m., the Board recessed to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.073, and 551.074 to consider the matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--The Board reconvened in Open Session at 11:14 a.m. to consider the following action on Executive Session Item 1c and to consider the following Agenda Items.

- 1a. U. T. San Antonio: Discussion of individual personnel matters related to the presidential search

No action was taken on this item.

- 1b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees

No action was taken on this item.

- 1c. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a proposed increase in compensation for Stephen M. Hahn, M.D., Deputy President, Chief Operating Officer, and Professor of Radiation Oncology (Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees)

The Board approved a proposed increase in compensation adjusted for new duties for Stephen M. Hahn, M.D., Deputy President, Chief Operating Officer, and Professor of Radiation Oncology at The University of Texas M. D. Anderson Cancer Center within the parameters outlined and recommended in Executive Session.

Further, the Board found that this compensation change is in the best interest of U. T. M. D. Anderson Cancer Center and The University of Texas System as required by state law.

- 2a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 2b. U. T. Health Science Center - San Antonio and U. T. Rio Grande Valley: Discussion and appropriate action regarding legal issues associated with request to transfer an endowment from U. T. Health Science Center - San Antonio to U. T. Rio Grande Valley

No action was taken on this item.

- 3a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

3b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

AGENDA ITEMS

1. U. T. System: Approval of \$3,165,960 from Available University Funds (AUF) for Change Order No. 2 to the Professional Services Agreement with Salesforce.com, Inc. for software development services related to Total Educational Experience (TEEx) version 2.0

Executive Vice Chancellor for Business Affairs Kelley outlined the recommendation before the Board to approve Change Order No. 2 to the Professional Services Agreement (PSA) with Salesforce.com, Inc. for software development services related to TEEx version 2.0 will be funded with a previously approved allocation of \$3,165,960 from AUF.

Following discussion as summarized below, Vice Chairman Hicks made two motions, and the second one carried.

2nd Motion by Vice Chairman Hicks

I would still like to make the motion that we approve this contract, conditioned upon the Board within 90 days getting a full accounting of what is reserved on the project, what other options might be in partnering going forward, and what the long-term plan for the ITL might look like. So that would be the conditions that I would make the motion that we approve this contract.

The motion was seconded by Regent Beck and carried, with Regent Longoria voting against the motion. Vice Chairman Hildebrand was noted as abstaining from discussion and vote on this item because of equity interests.

In reply to a question from Regent Beck about the deadline in motion 2 for information to be furnished to the Regents, Vice Chairman Hicks amended his motion to set the deadline at the July 2017 Board meeting. Chairman Foster said that would be appropriate in that discussion of the AUF was scheduled for a Board retreat around the July 2017 meeting.

Background

On September 23, 2016, the Board approved agreements with Salesforce to provide a bundle of development services and software subscriptions to the ITL to support the development of a future learning environment, referred to as the Total Educational Experience (TEEx) version 2.0. This approval included three umbrella

agreements and related Statements of Work totaling \$5,454,447 for software subscriptions through September 30, 2017, and for software development services through December 31, 2016.

On December 15, 2016, the Board approved Change Order No. 1 to the Salesforce PSA, which added an additional \$3,049,960 for software development services plus \$456,629 in expenses for the time period January 1, 2017 through March 15, 2017, bringing the total spend to \$8,961,036.

The total projected expenditures under the three interrelated umbrella agreements are estimated to be \$12,000,000 over the next five years through a series of change orders. A condition of the September 23, 2016 approval is for each Change Order for software development services beyond December 31, 2016, to be presented to the Board for approval.

The Change Order No. 2 to the Salesforce PSA adds an additional \$3,165,960 for software development services for the time period April 10, 2017 through August 31, 2017, bringing total spending to \$12,126,996.

Discussion

Following questions and comments from Vice Chairman Hicks, Regents Longoria, Eltife, and Tucker, Chancellor McRaven and the Executive Vice Chancellors discussed the function, structure, and value of The University of Texas System's Institute for Transformational Learning (ITL), funding previously approved by the Board, the original vision of the Board for ITL, reducing costs, options for contracting directly with an outside vendor, the reasons for the change order, and evaluating spending of Available University Funds (AUF).

Chairman Foster then asked for a motion to approve this item as recommended, and when no member of the Board answered, he suggested the item be tabled. He asked Executive Vice Chancellor Kelley about the implications of not funding the contract at this point, and Dr. Kelley explained that work by Salesforce would need to cease, there would be at minimum setbacks in product development and implementation, and there would be some costs that could not be recuperated.

Vice Chairman Hicks then made the following motion:

1st Motion by Vice Chairman Hicks

I will make a motion, if that is acceptable, that we move to spend this money because I think that we lose more than this by not doing it. With the understanding that we will look at the amount reserved for the ITL and within 90 days, that the System will come back to us with a plan of what those reserves are, how they will be spent, and what a long-term strategy involving the ITL might look like. Under those conditions, I would move that we approve this expenditure.

In reply to questions from Regent Longoria related to motion 1, Dr. Kelley clarified that the requested funding had previously been set aside and was not a new allocation of AUF in this request. Executive Vice Chancellor Leslie added that the planned launch of the cybersecurity program at The University of Texas at San Antonio would not proceed if the proposal were not funded.

There was no second or vote on this motion.

2. U. T. System: Approval of \$13,600,000 of Available University Funds (AUF) a) for the upgrade implementation of the UTShare Human Resource and Finance enterprise system; b) for the upgrade implementation of the Student Information System (SIS); and c) to provide basic campus and implementation support to U. T. Rio Grande Valley; and finding that the expenditure of AUF for this purpose is appropriate

Deputy Chancellor Daniel outlined the recommendation before the Board to approve \$13,600,000 of Available University Funds (AUF)

- a. for the upgrade implementation of the UTShare Human Resource and Finance enterprise system;
- b. for the upgrade implementation of the Student Information System (SIS), including implementation services, hardware/software, support, hosting, and disaster recovery; and
- c. to provide basic campus and implementation support to The University of Texas Rio Grande Valley.

The Board was also asked to find that the expenditure of AUF for this purpose is appropriate under the responsibilities of The University of Texas System Administration to provide technical assistance and services to the institutions and to coordinate the activities of the U. T. System institutions using these information systems, including support and implementation of the systems at U. T. Rio Grande Valley, with the intent that the expenditure will benefit a broad number of U. T. System institutions, including The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas at Tyler, and U. T. System Administration.

To implement the SIS, U. T. System will leverage the Oracle Corporation site license approved by the Board on May 15, 2008, that makes available the higher education line of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) for all U. T. System institutions.

SIS is essential software for academic institutions to provide campus self-service, financial aid, recruiting and admissions, student administration, student financials, and student records. The systems used by The University of Texas at Brownsville and The University of Texas-Pan American, and now U. T. Rio Grande Valley to support Human Resources, Financial, and Student Information Systems are approaching End of Life. U. T. Rio Grande Valley will join the cohort currently using PeopleSoft. Operating in a shared PeopleSoft environment is expected to save U. T. Rio Grande Valley a minimum of \$4 to \$5 million per year and delaying implementation will require U. T. Rio Grande Valley to fund costly maintenance on the current systems, which will be lost when the migration to PeopleSoft is complete.

The cohort includes U. T. Arlington, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. System Administration. Once complete, U. T. Rio Grande Valley will be operating on the most current supported version of the PeopleSoft software.

U. T. System will utilize staff augmentation services from ERP Analysts, Inc. and r2 Technologies, Inc., approved on February 9, 2017, under Consent Agenda Item 6 and Item 7, respectively, to support the implementation at U. T. Rio Grande Valley. Funding for these contracts was deferred at the February 8-9, 2017 Board meeting (Finance and Planning Committee Agenda Item 5).

Dr. Daniel provided background information and explained the urgency of this proposal to replace aging software.

In reply to questions from Vice Chairman Hicks about numbers of employees and historical funding of the initiative, Deputy Chancellor Daniel spoke about the efficiency of operating in a shared service environment, explaining that double the number of employees would be needed if the institutions individually managed the effort. He also spoke about how the institutions initially funded the effort, but in 2014, the Board funded the expense to offset the need to increase tuition.

Regent Longoria expressed concern over spending of AUF and growth of U. T. System administrative expenses. Chairman Foster indicated his belief that the expenditure of AUF for this purpose is not only appropriate, but also textbook. Regent Longoria then proposed that only the recommended \$3,300,464 from AUF for Fiscal Year 2017 be considered for approval at this time and suggested that possible future savings could fund the initiative going forward. Deputy Chancellor Daniel asked Associate Vice Chancellor for Shared Information Systems, Mr. R. David Crain, to determine if this proposed phased funding would impact the contract going forward, and Mr. Crain responded that the proposed funding would allow the project to get started and progress made.

Regent Tucker stated that the growth of the U. T. System over the last 10 years has not gone unnoticed by elected officials. She expressed concern that the revised funding proposal not disrupt the Southern Association of Colleges and

Schools (SACS) accreditation issues for U. T. Rio Grande Valley, and Executive Vice Chancellor Leslie said while he thought that would not be affected, he would check with President Bailey.

Vice Chairman Hicks then moved that the Board approve

- a. only the first year of three years of funding at this time;
- b. that subsequent expenditures be delayed pending review of U. T. System expenditures in July [2017]; and
- c. that payment be made so as not to lose any progress for U. T. Rio Grande Valley.

The motion was seconded by Regent Aliseda, and carried unanimously.

The proposed implementation schedule is shown below with only FY 2017 approved at this meeting:

PeopleSoft Pillar	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Total
Human Capital Management and Financial Management System (HCM\FMS)	\$1,953,131	\$3,846,869	\$1,500,000	\$7,300,000
Campus Solutions	\$1,347,333	\$3,823,667	\$1,129,000	\$6,300,000
Both PeopleSoft Pillars	\$3,300,464	\$7,670,536	\$2,629,000	\$13,600,000

ADJOURNMENT.--At 12:15 p.m., there being no further business, the meeting was adjourned.

/s/ Tina E. Montemayor
Assistant Secretary to the Board of Regents

June 1, 2017