

Meeting No. 968

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

Pages 1 - 10

July 7, 2003

Austin, Texas

MEETING NO. 968

MONDAY, JULY 7, 2003.--The members of the Board of Regents of The University of Texas System convened this special called meeting at 10:10 a.m. on Monday, July 7, 2003, on the Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present
Chairman Miller, presiding
Vice-Chairman Clements
Vice-Chairman Hunt
Vice-Chairman Riter
Regent Caven
Regent Craven
Regent Estrada
Regent Huffines
Regent Krier

Absent

Acting Secretary Martinez

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

1. U. T. Board of Regents: Authorization to Negotiate and Enter into an Auditing Services Contract to Perform Audits of Funds Managed by The University of Texas Investment Management Company (UTIMCO) for the Fiscal Year Ending August 31, 2003

Upon motion of Regent Estrada, Chairman of the Audit, Compliance, and Management Review Committee, duly seconded, the Board authorized University of Texas System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP to perform audits for the Fiscal Year ending August 31, 2003, for funds managed by The University of Texas Investment Management Company (UTIMCO), as listed below:

- Permanent University Fund (PUF)
- The University of Texas System General Endowment Fund (GEF)
- Permanent Health Fund (PHF)
- The University of Texas System Long Term Fund (LTF)
- The University of Texas System Short Intermediate Term Fund (SITF)

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and SITF (the Funds) rests with the U. T. Board of Regents. Section 66.08 of the Texas Education Code requires that U. T. System perform an annual financial audit of the PUF. Deloitte & Touche LLP has audited all of the Funds on an annual basis since 1996. The Sarbanes-Oxley Act of 2002 now requires public corporations to rotate auditing firms or audit partners every five years. Although not required to do so, U. T. System believes that now is a good time to select a new auditor for the Funds.

The motion carried unanimously. The contract will be for one year with a right to renew in one-year increments for four years, and all renewals will require approval by the U. T. Board of Regents.

2. U. T. System: Approval of Budget Change for Salary for Chancellor Yudof

Vice-Chairman Hunt moved that, based upon the opinion from Vice Chancellor and General Counsel Godfrey addressing the legal issues associated with the 4% salary increase for Chancellor Mark G. Yudof submitted in The University of Texas System docket for the May 2003 Board meeting for formal approval and deferred for further review, the Board accept the findings and recommendations of Vice Chancellor Godfrey and further moved that the budget change be formally approved for the record.

Following discussion, Regent Krier voted “nay” because of concern that a precedent would be set to allow the Legislature to dictate how the University spends private funds. She clarified that her vote was not reflective of the Chancellor’s performance.

The motion carried and the Board approved a 4% salary increase effective March 1, 2003, for Chancellor Yudof. Chancellor Yudof emphasized that he is giving the money back to a University endowment.

3. U. T. System: Delegation of Authority to Negotiate and Sign a Consulting Contract for the Purpose of Expanding the Research Capabilities of the U. T. System

Chairman Miller stated that a recommendation to delegate authority to the Chancellor or his designee to negotiate and sign a contract with The Washington Advisory Group, LLC to provide consulting services for the purpose of expanding the research capabilities of The University of Texas System was before the Board on yellow paper and called on Executive Vice Chancellor Sullivan to present the scope of the proposed contract.

Following Dr. Sullivan's report, the Board approved the proposal to hire The Washington Advisory Group to make recommendations on strategies for developing four component institutions into nationally prominent top tier research universities -- The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, and The University of Texas at San Antonio. The firm will also make recommendations to strengthen the research capabilities of four other component institutions -- The University of Texas at Brownsville, The University of Texas - Pan American, The University of Texas of the Permian Basin, and The University of Texas at Tyler.

4. U. T. Health Science Center - San Antonio: Authorization to Sell Approximately 238.625 Acres of Land in Live Oak and Universal City, Bexar County, Texas, and Authorization for the Executive Director of Real Estate to Execute All Documents Related Thereto

The University of Texas System Real Estate Office, on behalf of The University of Texas Health Science Center at San Antonio, was authorized to sell approximately 238.625 acres of land in Live Oak and Universal City, Bexar County, Texas, to the Alamo Community College District for its appraised fair market value of \$3,244,000. The University will not pay any brokerage fee in connection with the sale.

Further, the Executive Director of Real Estate was authorized to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

The Alamo Community College District, Bexar County, Texas, will build a new community college to serve the northeast portion of the county. The property is part of a bequest of land and financial assets from the late Mrs. Berneice Castella for the unrestricted use of U. T. Health Science Center - San Antonio. To honor desires that Mrs. Castella had verbally expressed, the proceeds from this sale will be used for research on the aging process.

Following this sale, the Board will own 80.373 acres of land out of the Castella bequest. On August 9, 2001, the Board approved the sale of this smaller tract to the District, but that transaction was not consummated. The U. T. System Real Estate Office will request Board action to approve a future sale of this tract for not less than its fair market value.

Regent Estrada abstained from voting on this item to eliminate any appearance of conflict of interest since his company, Estrada, Hinojosa and Company, has recently had a financial business transaction that involved the Alamo Community College District. Regent Krier introduced Mr. Michael Llamas, a member of the Live Oak City Council and member of the site

selection committee of the College District, and thanked him for his work on this sale. Mr. Llamas said the site will be a great asset to the community and he received a round of applause.

5. U. T. System: Report on Highlights of the 78th Texas Legislature, Regular Session

Vice Chancellor Ashley Smith presented highlights of the 78th Texas Legislature. He discussed key measures and their effect on higher education in the upcoming 2004-2005 biennium including System-wide plans to enhance educational attainment and research in Texas.

Chairman Miller and other members of the Board commended Vice Chancellor Smith and his staff on a successful session and Vice-Chairman Hunt stated the session was an historical turning point, especially with regard to tuition deregulation. Regent Huffines also applauded Chairman Miller for his tremendous efforts during the session. In reference to the work of three major legislative oversight and study committees, the Oversight Committee on Higher Education, the Special Interim Committee to Study Higher Education, and the Texas Higher Education Coordinating Board, Chairman Miller asked for advice and help to organize and prepare to inform policy-makers about what the University can do relative to those committees and their work. He asked that the University “get ahead of the curve” and lead that review and analysis and, in light of the difficult legislative session, actively and overtly prepare the state for that examination.

[Note: [Vice Chancellor Smith’s PowerPoint presentation](#) is on file in the Office of the Board of Regents.]

6. U. T. System: Report on the Development of the System Administration Mission Statement

Referencing the mission statement adopted by the Board of Regents in 1998 for The University of Texas System (set forth on Page 5), Dr. Teresa Sullivan, Executive Vice Chancellor for Academic Affairs, presented a proposed revised mission statement specifically for the U. T. System Administration as set forth on Page 6. She said the purpose of revising the statement is to clarify the mission of the System Administration, and, in the future, a broader System-wide approach would be looked at in conjunction with the long-term strategic plans to focus on the relationship of the System with the component institutions and to provide a clear alignment between the System and institutional mission statements. Chancellor Yudof spoke about ways in which the System adds value, including provision of services provided directly and indirectly to the components and employees, and compliance, accountability, and insurance processes. He said the alignment of the organization with the mission is important and welcomed feedback, saying the statement would be brought back before the Board for approval.

The University of Texas System

Mission Statement

The mission of The University of Texas System is to provide high-quality educational opportunities for the enhancement of the human resources of Texas, the nation, and the world through intellectual and personal growth.

This comprehensive mission statement applies to the varied elements and complexities of a large group of academic and health institutions. Individually, these institutions have distinct missions, histories, cultures, goals, programs, and challenges. Collectively, these institutions share a common vision and a fundamental commitment to enhance the lives of individuals and to advance a free society. Through one or more of its individual institutions, The University of Texas System seeks:

- To provide superior, accessible, affordable instruction and learning opportunities to undergraduate, graduate, and professional school students 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;
- To cultivate in students the ethical and moral values that are the basis of a humane social order;
- To engage in high-quality, innovative research that entails the discovery, dissemination, and application of knowledge;
- To render service to the public that produces economic, technical, social, cultural, and educational benefits through interactions with individuals and with local, Texas, national, and international organizations and communities;
- To provide excellent, affordable, and compassionate patient care through hospitals and clinics that are of central importance to programs of teaching, scholarship, research, and service associated with medicine and related health sciences;
- To enrich and expand the appreciation and preservation of our civilization through the arts, scholarly endeavors, and programs and events which demonstrate the intellectual, physical, and performance skills and accomplishments of individuals and groups;
- To serve as a leader of higher education in Texas and to encourage the support and development of a superior, seamless system of education – from pre-kindergarten through advanced post-graduate programs, and encompassing life-long learning and continuing education.

To accomplish its mission, The University of Texas System must:

- Attract and support serious and promising students from many cultures who are dedicated to the pursuit of broad, general educational experiences, in combination with the pursuit of areas of personal, professional, or special interest;
- Acquire, retain, and nourish a high-quality, dedicated, diverse faculty of competence, distinction, and uncompromising integrity;
- 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.
- Create and sustain physical environments that enhance and complement educational goals, including appropriate classrooms, libraries, laboratories, hospitals, clinics, computer and advanced technological facilities, as well as university centers, museums, performance facilities, athletic spaces, and other resources consistent with institutional objectives;
- Encourage public and private-sector support of higher education through interaction and involvement with alumni, elected officials, civic, business, community and educational leaders, and the general public.

[1998]

DRAFT

The University of Texas System Administration
Mission Statement

Revised June 16, 2003

The University of Texas System creates and sustains excellence in educational opportunities, research, and health care to meet the goals and ambitions of Texas, the nation, and the world.

The U. T. System adheres to the values of integrity, service, adherence to law, accountability, inclusion, consultation, and collaboration.

In support of the System's broad mission, the U. T. System Administration serves as the executive/managerial agent of the U. T. Board of Regents, providing information and analysis to support the Board's oversight and policy-making functions. The U. T. System Administration adds value by taking advantage of the System's collective size and scope to enhance opportunities for, and efficient operations of, the fifteen component institutions. The System Administration:

- Leads and fosters communication on higher education issues.
- Achieves efficiencies and economies of scale through direct services to, or collaborations among, institutions.
- Targets opportunities for new and collaborative work.
- Enhances the academic and health-care strategic planning of the institutions.
- Assures accountability, compliance, and quality processes.
- Offers consulting and problem-solving services.
- Performs essential support functions.

7. U. T. Board of Regents: Informational Report on Guidelines to be Used for Revising the Regents' Rules and Regulations

Mr. Art Martinez, Assistant Secretary to the Board, introduced Dr. Donde Plowman, Professor of Management in the College of Business at The University of Texas at San Antonio, who made a presentation entitled "A Few Simple Rules Will Do: A Complexity View of The University of Texas System." The presentation was based on Dr. Plowman's white paper titled "The Regents' Rules: Making the Case for Simplifying" that provides (1) a theoretical basis for what the Rules should look like, (2) benchmarking data showing U. T. System covers more topical area content in its Regents' Rules than other universities, and (3) survey data primarily from faculty and staff recommending specific significant revisions to the Rules. Dr. Plowman's white paper and PowerPoint presentations were included in the Agenda Book.

Once finalized, the suggested guidelines will be used by a U. T. System Task Force to revise the Regents' Rules and Regulations with the aim of simplifying to ease the administrative burden of compliance and provide the proper degree of autonomy to the component institutions. All revisions will be shared with presidents of the component institutions, advisory groups such as the Faculty, Student, and Employee Advisory Councils, and any other interested parties identified prior to U. T. Board of Regents' approval.

Mr. Martinez said that the revision will be completed in January 2004.

[Note: [Dr. Plowman's PowerPoint presentation](#) is on file in the Office of the Board of Regents.]

RECESS TO EXECUTIVE SESSION.--At 11:45 a.m., Chairman Miller announced that the Board would recess to convene in Executive Session pursuant to Texas Government Code Sections 551.071, 551.072, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE.--At 1:35 p.m., the Board reconvened in open session for action on matters considered in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Miller reported that the Board met in Executive Session to discuss matters in accordance with Texas Government Code Sections 551.071, 551.072, and 551.074. In response to an inquiry from Chairman Miller regarding the wishes of the Board, the following actions were taken:

1. Discussion of Supreme Court decision, if issued, concerning University of Michigan Affirmative Action Cases

There was no action related to the Supreme Court decision concerning the University of Michigan affirmative action cases.

2. U. T. Health Science Center - San Antonio: Settlement of Medical Liability Litigation -- Emilia Cuellar and Emilia Benavidez

Upon motion of Vice-Chairman Clements, the Board authorized the Chancellor and the Office of General Counsel to settle on behalf of The University of Texas Health Science Center at San Antonio physicians the medical liability litigation brought by Emilia Cuellar and Emilia Benavidez in accordance with the proposal presented in Executive Session.

3. U. T. M. D. Anderson Cancer Center: Proposed Settlement of Claim for Pharmacy Losses

Regent Craven moved that the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas M. D. Anderson Cancer Center its insurance claim with Fidelity and Deposit Company of Zurich North America arising out of a pharmacy loss in accordance with the proposal presented in Executive Session.

Vice-Chairman Riter seconded the motion, which carried unanimously.

4. U. T. Health Science Center - Houston: Proposed Settlement of Claim for Tropical Storm Allison Damages

Upon motion of Regent Caven, duly seconded, the Board authorized the Chancellor and the Office of General Counsel to settle on behalf of The University of Texas Health Science Center at Houston its insurance claim against Hartford Steam Boiler for damages arising out of Tropical Storm Allison in accordance with the proposal presented in Executive Session.

5. U. T. Austin: Approval of Proposed Ground Lease (PRC MoPac Tract)

Regent Huffines moved that in accordance with the proposal presented in Executive Session and on behalf of The University of Texas at Austin:

- a. The University of Texas System Real Estate Office be authorized to enter into negotiations with Simon Property Group, Incorporated for a ground lease of an approximately 45.8-acre tract of vacant land located immediately west of the main J. J. Pickle Research Campus in Austin, Travis County, Texas;
- b. The U. T. System Real Estate Office be authorized to enter into negotiations with one or more other respondents to the May 1, 2003, Request for Ground Lease Proposals in the event that negotiations with Simon Property Group, Inc. are unsuccessful; and
- c. The final lease agreement be submitted for approval by the Board of Regents at a future date.

The motion was duly seconded and carried by acclamation.

6. U. T. Austin: Consideration of Recommendation of Hearing Tribunal Regarding Termination of Faculty Member (Withdrawn)

The item related to consideration of recommendation of a hearing tribunal regarding termination of a faculty member at The University of Texas at Austin was withdrawn.

RECESS TO EXECUTIVE SESSION.--At 1:40 p.m., Chairman Miller announced that the Board would recess to convene in Executive Session pursuant to Texas Government Code Section 551.074 to consider personnel matters listed on the Executive Session agenda as follows on Page 10. He said there would be no action taken on these items.

1. U. T. Arlington: Consideration of Personnel Matters Relating to Presidential Search
2. U. T. System: Consideration of Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment and Duties of Officers or Employees
3. U. T. System: Consideration of Personnel Matters Relating to Evaluation of Presidents and U. T. System Executive Officers

RECONVENE.--At 3:25 p.m., the Board reconvened in open session.

ADJOURNMENT.--Chairman Miller announced that the purpose for which this meeting was called had been completed and, the meeting was duly adjourned at 3:25 p.m.

/s/ Arthur B. Martinez
Acting Secretary to the Board

July 24, 2003