

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

Audit, Compliance, and Management Review Committee

Finance and Planning Committee

Academic Affairs Committee

Health Affairs Committee

Facilities Planning and Construction Committee

Student, Faculty, and Staff Campus Life Committee

November 12, 2003

Odessa, Texas

These Minutes of Committee meetings are taken as a convenience for research purposes and may be verified by tape recordings kept in the Office of the Board of Regents or webcasts available at <http://www.utsystem.edu/bor/meetings/minuteslistinghomepage.htm>.

Francie A. Frederick
Counsel and Secretary to the Board
February 10, 2004

MINUTES
U. T. Board of Regents
Audit, Compliance, and Management Review Committee
November 12, 2003

The members of the Audit, Compliance, and Management Review Committee of the Board of Regents of The University of Texas System convened at 10:00 a.m. on Wednesday, November 12, 2003, in the Caribbean Room at the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance and absent:

Present
Chairman Estrada, presiding
Regent Clements
Regent Hunt

Absent
Regent Krier*
Counsel and Secretary Frederick*

*Delayed due to weather

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

The Committee recessed to Executive Session at 10:53 a.m. in the Waterfront Room at the MCM Elegante Hotel pursuant to Texas Government Code Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda as follows:

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

U. T. System: Evaluation and duties of System and component employees involved in audit and compliance functions

The Executive Session ended at 11:13 a.m., and the Committee reconvened in Open Session.

1. **U. T. System: Approval of the Audit, Compliance, and Management Review Committee Charter**

Committee Meeting Information

Presenter(s): Regent Estrada

Status: Approved

Motion: Made by Regent Estrada, seconded by Regent Hunt, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor and the Chief Audit Executive and System-wide Compliance Officer recommend the proposed Charter for the Audit, Compliance, and Management Review Committee be approved as set forth on Pages 7.1 - 7.5 of the Agenda Book and as follows.

BACKGROUND INFORMATION

The Audit, Compliance, and Management Review Committee is a standing committee of the Board of Regents. The proposed Charter identifies responsibilities of the committee and is broken into six categories: role, membership, reporting, education, authority, and responsibilities.

A draft of the Charter was presented to the committee in August 2003. Subsequent to the meeting, two changes were made to the Responsibilities Checklist: the Chief Operating Officer is no longer included in checklist number 15, and the language that indicated the committee would approve the annual audit plan in November was deleted from number 18.

The revised draft of the Charter was presented to the committee in September 2003 and has been reviewed by Vice Chancellor and General Counsel Godfrey. The two changes described above were approved, and the committee approved further changes to make the Charter consistent with the existing Regents' Rules and Regulations. It is expected that the Charter will need to be reviewed quarterly as the Sarbanes-Oxley Act guidance and the audit environment continue to change.

DRAFT

Audit, Compliance, and Management Review Committee Charter of the Board of Regents of The University of Texas System

Role

The Audit, Compliance, and Management Review Committee (“the Committee”) of the Board of Regents (“the Board”) of The University of Texas (“U. T.”) System assists the Board in fulfilling its responsibilities for:

- Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- Oversight and direction of the internal auditing function, any external auditors whom the Committee may employ, and engagements with the State Auditor;
- Oversight and direction for the System-wide compliance function;
- Oversight of the review of effective institutional management practices at all U. T. System components; and
- Other duties as directed by the Board.

The Committee’s role includes a particular focus on U. T. System’s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

Membership

The membership of the Committee shall consist of at least ~~three~~ four Board members, ~~who are generally knowledgeable in financial, management, and auditing matters, including at least one member with general and financial management expertise. Each member shall be~~ appointed by the Chairman of the Board, ~~approved by the Board, and~~ who shall be free of any relationship that would interfere with his or her individual exercise of independent judgment. Applicable laws and regulations shall be followed in evaluating a member’s independence.

Reporting

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm employed by the Committee shall report directly to the Committee. The State Auditor’s reports will be submitted to this committee. The Committee is expected to maintain free and open communications, which shall include private executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit, Compliance, and Management Review Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee's discharge of its responsibilities.

Education

U. T. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. T. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

Authority

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. T. System employees and operations as necessary to carry out this authority.

Responsibilities

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit, Compliance, and Management Review Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm they may employ in carrying out its oversight responsibilities. U. T. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm hired by the Committee is responsible for performing the services specified in the hiring contract.

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**Responsibilities Checklist
for the
Audit, Compliance, and Management Review Committee
of the
Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System (“the Board”).
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee's Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of

interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System's engagements with public accounting firms.

11. The Committee shall review with executive management, the Chief Audit Executive and the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive and the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.
13. The Committee shall consider and review with the Chief Audit Executive and the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm:
 - a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
 - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
 - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U. T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
 - a. U. T. System's annual financial statements and related footnotes;
 - b. Any audit and assurance work performed on components of the annual financial statements;
 - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
 - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
 - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. T. System Chief Financial Officer certify the annual financial statements for the U. T. System as a whole, and that each component Chief Financial Officer certify the annual financial statements for

their respective component institution.

16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
17. The Committee shall review with executive management and the Chief Audit Executive at least annually U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Rules and Regulations, and/or operating policies or standards.
18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.
19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
 - a. Significant findings during the year and management's responses thereto;
 - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
 - c. Any changes required in the planned scope of the audit plan.
20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.
21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
 - a. Significant institutional risks identified during the year and mitigating actions taken;
 - b. Significant findings during the year and management's responses thereto;
 - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
 - d. Any changes required in planned scope of the compliance action plan.

23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist annually.

2. **U. T. Board of Regents: Amendment to the Regents' Rules and Regulations related to duties of the Audit, Compliance, and Management Review Committee (Part One, Chapter I, Section 7; Chapter II, Section 3)**

Committee Meeting Information

Presenter(s): Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer
Status: Approved
Motion: Made by Regent Estrada, seconded by Regent Hunt, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Chief Audit Executive that the Regents' Rules and Regulations, Part One, Chapter I, Section 7 regarding duties of the Audit, Compliance, and Management Review Committee and Part One, Chapter II, Section 3 regarding the System Director of Audits be amended as set forth in below in congressional style:

a. Amend Part One, Chapter 1, Section 7 as follows:

Sec. 7. Committees and Other Appointments

...

7.16 Duties of the Audit, Compliance, and Management Review Committee

The Audit, Compliance, and Management Review Committee shall:

7.161 ~~Recommend-Approve~~ an Audit Charter for the Audit, Compliance, and Management Review Committee ~~for review and approval by the Board~~ and oversee all internal and external auditing and compliance functions within The University of Texas System.

7.162 ~~Recommend the Review and approve approval of the hiring appointment or change~~ of the System Director of Audits after nomination by the Chancellor.

7.163 ~~Recommend the approval of Review and approve~~ the annual System-wide risk assessment and annual internal auditing plan.

b. Amend Part One, Chapter II, Section 3 as follows:

Sec. 3. Chancellor

...

3.311 Appointment

The System Director of Audits shall be appointed by the ~~Board Audit, Compliance, and Management Review Committee~~ after nomination by the Chancellor. The System Director of Audits shall hold office without fixed term, subject to the pleasure of the Chancellor. The Chancellor's actions regarding the System Director of Audits are subject to review and approval by the ~~Board Audit, Compliance, and Management Review Committee~~.

3.312 Duties and Responsibilities

The primary responsibilities of the System Director of Audits include developing a System-wide internal audit plan based on a System-wide risk assessment and coordinating the implementation of this plan with the institutional internal auditors. This System-wide audit plan is submitted to the Audit, Compliance, and Management Review Committee for review and ~~to recommend~~ approval ~~to the Finance and Planning Committee~~ after the Chancellor's review and approval. Responsibilities of the System Director of Audits also include conducting audits of the System including the revenue produced from the Permanent University Fund lands and formulating policies for the internal audit activity at each component institution.

3.313 The System Director of Audits serves as the chief audit executive.

BACKGROUND INFORMATION

Proposed amendments to the Regents' Rules and Regulations will clarify the responsibilities of the Audit, Compliance, and Management Review Committee.

Proposed amendments to Chapter I, Part One increase the responsibilities of the Audit, Compliance, and Management Review Committee to approve the Audit Charter, approve the appointment or change of the System Director of Audits after nomination by the Chancellor, and approve the annual System-wide risk assessment and annual internal auditing plan.

Proposed amendments to Chapter II, Part One make these rules consistent with the changes made in Chapter I.

3. **U. T. System: Approval of the Sarbanes-Oxley Action Plan for U. T. System**

<i>Committee Meeting Information</i>
<i>Presenter(s): Mr. Chaffin</i>
<i>Status: Approved</i>
<i>Motion: Made by Regent Estrada, seconded, and carried unanimously</i>

Agenda Item:

RECOMMENDATION

An ad hoc committee, formed at the request of the Chancellor to review issues regarding the "spirit" of the Sarbanes-Oxley Act of 2002, recommends that the Audit, Compliance, and Management Review Committee of the U. T. Board of Regents approve the proposed action plan as set forth on Pages 10.1 - 10.11 of the Agenda Book.

BACKGROUND INFORMATION

The Committee discussed the Sarbanes-Oxley Act of 2002 in August 2003 and requested that additional review be conducted.

The Chancellor requested that Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, and Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, form an ad hoc committee to develop an action plan to implement the "spirit" of the Sarbanes-Oxley Act of 2002.

The ad hoc committee is made up of nine chief business officers and five internal audit directors, representing eleven U. T. components.

On September 30, 2003, the Committee discussed the Sarbanes-Oxley Act of 2002, Mr. Wallace and Mr. Chaffin presented an update on the ad hoc committee's progress, and a representative from the State Auditor's Office discussed the Financial Statement Audit they have planned for the fiscal year ended August 31, 2003.

Discussion at meeting:

Mr. Chaffin said there is more and more training on a national basis related to Sarbanes-Oxley and as publicly-held companies begin that process, we are trying to learn as much as we can from what corporate America is doing and adopt the best practices for U. T. System. We have 16 action items to implement over a period of about two years.

Regent Estrada said that he noticed that the establishment of a whistleblower policy has a due date of December 2003 and asked if that was realistic and are we there?

Mr. Chaffin responded that the State of Texas has a whistleblower law. We already have a confidential reporting mechanism so we have already gathered Board policies from around the country, and it is a matter of formalizing a process that we already have in place.

Mr. Estrada asked if the other due dates were established in coordination with component representatives in this process.

Mr. Wallace responded yes. They reviewed the action plan and we presented a draft to them and they made minor edits and then we sent the plan back to them.

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

Committee Meeting Information

Presenter(s): Mr. Chaffin and Mr. Greg Lee, Finance and Administration Manager, UTIMCO
Status: Reported

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will brief the Board of Regents on the annual report of the System-wide Compliance Program, located on Pages 11.1 - 11.3 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.

Mr. Greg Lee, UTIMCO Finance and Administration Manager, will report on the UTIMCO Enterprise Risk Management Initiative, as set forth on Pages 11.4 - 11.5 of the Agenda Book.

Discussion at meeting:

Mr. Chaffin stated that in Fiscal Year 2004, we are going to begin the process of peer reviews for our compliance programs and will start with U. T. Dallas in December and U. T. Health Science Center - San Antonio in January. Our intent is to have all peer reviews conducted by the end of the year.

He said that it is a program that has gained national attention and this year we have trained over 60,000 employees in compliance. We have action plans this year to deal with the new risks associated with HIPPA and also information technology security. We have confidential reporting at all of our components and we are in the process of negotiating a System-wide hotline so that we are consistent throughout all of our institutions. In the report, we have almost 500 hotline calls, many of them related to human resources. The University of Texas Investment Management Company (UTIMCO) was part of our compliance program for the first time this year.

Mr. Greg Lee presented the risk management compliance plan at UTIMCO. He said that UTIMCO is beginning its first year as a participant in the U. T. Institutional Compliance team, an initiative led by Mr. Bob Boldt, President, Chief Executive Officer, and Chief Investment Officer, and Ms. Joan Moeller, Managing Director - Accounting, Finance and Administration.

He listed four specific points that UTIMCO is looking at:

- 1. Investment risk*
- 2. Corporate compliance*
- 3. Investment selection and monitoring*
- 4. Security of data and access to information*

Mr. Lee mentioned that the two primary purposes of the plan are to make sure we have controls in place that help reduce and mitigate all of the risks we identify and to test those controls to make sure they are actually working as designed.

He said this comprehensive program will continue to lead us toward implementing voluntary provisions of the Sarbanes-Oxley Act as we go into the next fiscal year.

Regent Estrada said that we have been reading about the corporate scandals and accusations that are being made on Wall Street of late trading and activities that were not being conducted in compliance with securities regulations. He asked if UTIMCO is looking at those areas as well and incorporating safeguards into their compliance procedures that would detect any improper trading or activity.

Mr. Lee stated that UTIMCO has a strict code of conduct and ethics and ethical standards process. They continue to look for ways to improve. Specifically, with regards to late trading, there were some actions taken by our organization to gain

assurances from those few parties that do that type of investment to make sure there are no types of that trading after hours, and we will continue to stay on the leading edge of identifying ways we can stay ahead of the curve.

5. **U. T. System: Report on System-wide Audit Activity (red, yellow, green project)**

Committee Meeting Information
Presenter(s): <i>Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer</i>
Status: <i>Reported</i>

Agenda Item:

REPORT

The fourth quarter activity report on the status of outstanding significant recommendations of the System-wide Audit Activity report is set out on Pages 12.1 - 12.4 of the Agenda Book. Additionally, a list of other audit reports that have been issued by the System-wide audit program, the State Auditor's Office, and the Comptroller of Public Accounts follows on Pages 12.5 - 12.6 of the Agenda Book.

There are two types of audit findings/recommendations: reportable and significant. A "reportable" audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. "Significant" audit findings/recommendations are reportable audit findings/recommendations that are deemed significant at the institutional level by the component internal audit committee or their designee.

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

Discussion at meeting:

Mr. Chaffin mentioned that we are in the process of conducting a management audit of our West Texas operations that is overseen by Mr. Philip Aldridge, Interim Vice Chancellor for Business Affairs, and Mr. Stephen Hartmann, Executive Director of University Lands - West Texas Operations, and we should have that report completed by December.

6. **U. T. System: Report on the Results of the UTIMCO Audit**

Committee Meeting Information

Presenter(s): Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. Ricky Richter, Partner, Ernst & Young LLP

Status: Reported

Agenda Item:

REPORT

Mr. Ricky Richter of 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 Intermediate Term Fund (following on Pages 13.1 - 13.91 of the Agenda Book).

Ernst & Young LLP's Audit Results and Communications are included on Pages 13.1 - 13.5 of the Agenda Book.

Ernst & Young LLP's Report of Independent Auditors for each fund is available as follows:

- Permanent University Fund (Pages 13.6 - 13.27 of the Agenda Book)
- General Endowment Fund (Pages 13.28 - 13.48 of the Agenda Book)
- Permanent Health Fund (Pages 13.49 - 13.63 of the Agenda Book)
- Long Term Fund (Pages 13.64 - 13.78 of the Agenda Book)
- Short Intermediate Term Fund (Pages 13.79 - 13.91 of the Agenda Book)

The full financial statements including the Permanent University Fund Detail Schedules of Investment Securities and the Statement of Investment Performance Statistics, which are not attached to this report, are accessible at <http://www.utsystem.edu/bor/agendabook/> effective November 3, 2003.

Ernst & Young LLP was selected to perform the 2003 financial audit of the funds managed by The University of Texas Investment Management Company (UTIMCO), following a Request for Proposals (RFP) process in June 2003. The Board of Regents is required, by statute, to have the financial statements of the Permanent University Fund audited annually.

Discussion at meeting:

Mr. Richter reported that there were no audit adjustments that we proposed during the fiscal year, no instances of fraud or illegal acts that we identified during audit

procedures, and no material weaknesses in internal controls. Ernst & Young had no disagreements with management on any type of financial accounting or reporting matters and did not encounter any serious difficulties in performing the audit. They had a high level of cooperation from all UTIMCO staff, and it was an audit that was prepared from day one.

Regent Estrada thanked Mr. Richter and said that Ernst & Young was engaged for this assignment on a compressed timetable. The audit had to be done quickly but thoroughly into a complex set of numbers and the firm certainly performed well and timely, and we appreciate your services and those of all of your professional staff.

Mr. Estrada also complimented the management of UTIMCO and their staff for a clean report that verifies and emphasizes the cooperation and preparedness that were found by the auditors at UTIMCO and that confirms the excellent job UTIMCO staff is doing.

RECESS TO EXECUTIVE SESSION.--At 10:53 a.m., Chairman Estrada announced that the Committee would recess to convene in Executive Session in the Waterfront Room of the MCM Elegante Hotel in Odessa, Texas, pursuant to Texas Government Code Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE.--At 11:13 a.m., the Board reconvened in open session.

EXECUTIVE SESSION

Chairman Estrada reported that the Committee met in Executive Session to discuss matters in accordance with Texas Government Code Sections 551.071 and 551.074. There were no actions taken on the following items on the Executive Session agenda:

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074

U. T. System: Evaluation and duties of System and component employees involved in audit and compliance functions

ADJOURNMENT

Chairman Estrada announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 11:13 a.m.

MINUTES
U. T. Board of Regents
Finance and Planning Committee
November 12, 2003

The members of the Finance and Planning Committee of the Board of Regents of The University of Texas System convened at 11:20 a.m. on Wednesday, November 12, 2003, in the Caribbean Room of the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance:

Regent Hunt, presiding
Regent Caven
Regent Huffines
Regent Krier

Also present were Vice-Chairman Clements, Regent Estrada, and Counsel and Secretary Frederick.

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

1. U. T. System: Approval of Docket No. 115

Committee Meeting Information

Presenter(s): Regent Hunt

Status: Discussed

Future Action: Update Regent Huffines on the agreement between U. T. Austin and Capital Metro; tickle review of U. T. Arlington admissions criteria for November 2004 per Regent Caven

Agenda Item:

RECOMMENDATION

It is recommended that Docket No. 115 as attached beginning on Page Docket - 1 be approved.

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

Discussion at meeting:

Although this item was to be considered at the Board meeting on November 13, Committee Chairman Hunt noted an error on Page Docket - 2 relating to a contract

with Kelly, Anderson & Associates, Inc., which reflects funds being received when in fact they are funds going out. This will be corrected in the final Docket for the November 12-13 meeting.

Regent Caven discussed a concern with changes to the admissions criteria at U. T. Arlington on Page Docket - 8 related to elimination of the use of SAT scores for the 15% of the top quartile. His concern is based on a review by U. T. Austin Professor Laycock which pointed out that percentage admissions standards were rejected by the Supreme Court. Because the Board has endorsed the use of race and ethnicity for admissions, a more holistic review will be used and by establishing an automatic admission without any other qualification with regard to scores for the next 15%, he feels we are moving in the opposite direction by using a single standard as opposed to a multifaceted standard. From a policy standpoint, he is concerned about the use of class rank only as an admission standard. In response to an inquiry from Committee Chairman Hunt, Counsel and Secretary Frederick said no action was needed today, but Dr. Teresa Sullivan, Executive Vice Chancellor for Academic Affairs, could come back before the Board with a suggestion on a minimum SAT score that can be coupled with this, so there could be a motion added tomorrow for the Docket approval. (Such action was not taken although a review of U. T. Arlington's admission criteria will be pended for one year -- November 2004.)

Regent Huffines asked to be brought up to date on the negotiations between U. T. Austin and Capital Metro and Vice President Patricia Ohlendorf said she would handle.

2. U. T. Board of Regents: Amendments to the Regents' Rules and Regulations regarding disclosure requirements for financial advisors and service providers (Part Two, Chapter IX, Sections 3 and 4)

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel

that the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4, concerning disclosure requirements for financial advisors and service providers, be amended as set forth below in congressional style:

- a. Amend Section 3 to add a new Subsection 3.5 as follows:

Sec. 3. Policy for Investment and Management of the PUF

...

3.5 Financial Advisors and Service Providers
Financial advisors and service providers as defined in Texas Government Code Section 2263.002 shall comply with the disclosure requirements contained in Texas Government Code Section 2263.005.

- b. Amend Section 4 as follows:

Sec. 4. Policy for Investment and Management of U. T. Investment Pools

4.1 Investment Policy Statement

The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.

4.2 Application of Other Regulations

The provisions of Subsections 3.2, 3.3, ~~and 3.4,~~ and 3.5 of this Chapter with respect to the investment and management of the PUF, shall ~~also likewise~~ apply to other U. T. investment pools.

4.3 System Professional Medical Liability Benefit Plan

The Professional Medical Liability Fund shall be administered in a manner consistent with all provisions of the System Professional Medical Liability Benefit Plan.

4.4 Conformance with Trust Indenture and State Law

Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, the fund's trust indenture, and applicable law.

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4 implement the requirements of Senate Bill 1059, relating to corporate ethics and integrity, which became effective September 1, 2003. Senate Bill 1059 added Chapter 2263 to the Texas Government Code, dealing with ethics and disclosure requirements for outside financial advisors and service providers. The new law requires governing bodies of governmental entities that manage or invest state funds to adopt by rule, no later than January 1, 2004, standards of conduct for financial advisors and service providers (defined as "a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker") who:

- a. may be expected to receive more than \$10,000 in compensation per year; or
- b. who render important investment of funds management advice to the entity.

Senate Bill 1059 requires outside financial advisors and service providers to disclose, in writing, to both the state entity and State Auditor:

- a. any relationship the financial advisor or service provider have with any party to a state entity transaction, other than a relationship necessary to the financial services being provided, if a reasonable person could expect the relationship to diminish the advisor's or provider's independence of judgment in the performance of the advisor's or provider's responsibilities to the state entity; and
- b. all direct and indirect pecuniary interests the advisor or provider has in any party to a state entity transaction, if the transaction is connected with the advice or service being provided in connection with the management or investment of state funds.

The University of Texas Investment Management Company (UTIMCO) is the Board of Regents' primary investment advisor and the Board of Regents is required, under the statute authorizing UTIMCO, to approve UTIMCO's Code of Ethics. The current UTIMCO Code of Ethics, last approved by the U. T. Board on August 7, 2003, goes beyond the disclosure requirements created by Senate Bill 1059 and satisfies, in large part, the intent behind Senate Bill 1059. However, the definition of "financial advisor or service provider" is sufficiently broad that a number of individuals, firms, or companies that do business with UTIMCO, as well as the independent financial advisor recently hired by the Board of Regents, will be required to file disclosure forms, promulgated by the State Auditor, on an annual basis at minimum. UTIMCO's internal managers and the brokers and dealers they trade with,

investment partnerships, hedge funds, and "fund of fund" managers will be subject to the new disclosure requirements. The U. T. System liaison to UTIMCO will coordinate distribution and collection of forms from UTIMCO and the other financial advisors and service providers required to submit them, review the forms, and provide relevant disclosure to the Board of Regents.

Discussion at meeting:

Mr. Philip Aldridge, Interim Vice Chancellor for Business Affairs, summarized the amendments which are being proposed to incorporate and implement requirements of Senate Bill 1059. Committee Chairman Hunt asked if the burden was on the service provider and Mr. Aldridge responded it was.

3. U. T. Board of Regents: Adoption of Thirteenth Supplemental Resolution authorizing the issuance of additional Revenue Financing System (RFS) Bonds; authorization to execute interest rate swap transactions in connection with the Bonds; authorization to complete all related transactions; and approval as to form for use of documents

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

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

- a. adopt the Thirteenth Supplemental Resolution to the Master Resolution, substantially in the form presented to the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$496,000,000 with a final maturity not to exceed the Year 2035 for the purpose of advance refunding certain outstanding Revenue Financing System Bonds to produce present value debt service savings; to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; and to pay the costs of issuance and any original issue discount;

- b. authorize issuance of the Bonds with natural or synthetic fixed interest rates and the execution of interest rate swap transactions to convert variable interest rates on the bonds into fixed rate obligations if the Bonds are issued with variable interest rates; and
- c. authorize appropriate officers and employees of the U. T. System as set forth in the Thirteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

- a. 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 Board relating to the Financing System; and
- b. the component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

BACKGROUND INFORMATION

On February 14, 1991, the Board adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for component institutions of the U. T. System. Since that time, the Board has adopted 12 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

Adoption of the Thirteenth Supplemental Resolution (Resolution) would authorize the advance refunding of certain outstanding RFS Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Resolution provides flexibility to execute the transaction using either natural or synthetic fixed rate debt. Natural fixed rate debt involves issuing fixed rate bonds. Synthetic fixed rate debt involves issuing variable rate bonds and executing a corresponding floating-to-fixed interest rate swap agreement to effectively convert the interest rate on the bonds to a fixed interest rate. The determination to issue either natural or synthetic fixed rate debt will be made based on market conditions at the time of pricing. The use of any interest rate swap agreements will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board in February 2003 using standard International Swaps and Derivatives Association, Inc. (ISDA) documentation.

Concurrently with the consideration of the Resolution, the Board will consider a resolution authorizing master interest rate swap agreements with seven investment banking firms selected through a procurement process. The Board currently has master interest rate swap agreements with three of the firms and these agreements may be amended to conform to the new agreements to be entered into. The Resolution authorizes interest rate swap transactions relating to the Bonds and other Parity Debt under the seven interest rate swap agreements.

In addition, the Resolution authorizes remarketing, tender, auction and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The Resolution also authorizes the refunding of a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A and to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

As provided in the Resolution, the potential bonds to be refunded include up to:

- \$42,895,000 of the RFS Bonds, Series 1995A maturing 2008-2017
- \$45,950,000 of the RFS Bonds, Series 1996A and \$133,460,000 of RFS Bonds, Series 1996B maturing 2007-2016
- \$7,010,000 of the RFS Bonds, Series 1998A and \$73,660,000 of RFS Bonds, Series 1998B maturing 2008-2018
- \$29,520,000 of the RFS Bonds, Series 1998C and \$66,400,000 of RFS Bonds, Series 1998D maturing 2009-2019

- \$14,130,000 of the RFS Bonds, Series 1999A maturing 2017 and 2018
- \$12,895,000 of RFS Bonds, Series 1999B maturing 2018
- \$119,955,000 of RFS Bonds, Series 2001B and \$56,680,000 of RFS Bonds, Series 2001C maturing 2012-2022.

Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing provided the refunding achieves the minimum 3% savings target.

Note: Based on the opinion of outside bond counsel, the Thirteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement are required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed Thirteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel and is available on-line at <http://www.utsystem.edu/bor/agendabook>. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 4 on Page 21 of the Agenda Book related to the adoption of master interest rate swap agreements.

An overview of proposed Revenue Financing System Advanced Refunding is illustrated on Pages 20.1 - 20.7 of the Agenda Book.

Discussion at meeting:

Mr. Philip Aldridge, Interim Vice Chancellor for Business Affairs, said this item requests the Board's approval to issue up to \$496 million of Revenue Financing System debt for the primary purpose of refunding existing higher cost debt, thereby achieving a debt service savings. He said we would only do the refunding if we can achieve a 3% present value debt service savings over our current debt service of those funds that are refunded and debt would only be issued out to the Year 2035. The Board is also being asked to authorize issuance of either fixed rate debt or synthetic fixed rate debt. Mr. Aldridge gave an overview of the proposed Revenue Financing System advanced refunding using the summary provided on Pages 20.1 - 20.7 of the Agenda Book. He also proposed a review of any transaction to be executed. He indicated all policies were in place, so we are now in a position where we'd like to move forward if market conditions warrant.

In response to an inquiry by Regent Huffines, Mr. Aldridge said that the 3% savings are after all the fees have been taken into account.

4. U. T. Board of Regents: Adoption of Resolution authorizing the execution of Master Interest Rate Swap Agreements and approval as to form for use of documents

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made by Regent Huffines, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents adopt a resolution substantially in the form set out on Pages 23 - 26 of the Agenda Book (the Resolution) authorizing appropriate officers of the U. T. System to enter into master interest rate swap agreements with Bank of America Securities; Morgan Stanley Capital Services; Lehman Brothers Special Financing Inc.; UBS AG; Goldman Sachs Mitsui Marine Derivative Products, L.P.; J.P. Morgan Chase Bank; and Merrill Lynch Capital Services, Inc.; to execute confirmations under such agreements, and to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and based in part upon the delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

- a. 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 Board relating to the Financing System; and
- b. the component institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt pursuant to the master interest rate swap agreements.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

BACKGROUND INFORMATION

On February 13, 2003, the Board approved the U. T. System Interest Rate Swap Policy, which governs the use by the U. T. System of interest rate swap transactions for the purpose of hedging interest rate risk of existing or planned Revenue Financing System debt. As provided in the policy, each swap agreement shall contain the terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, consistent with the policy limits set forth in the Interest Rate Swap Policy.

The ISDA Master Agreement is a standardized master legal agreement for all derivative transactions between swap counterparties that states standardized definitions, terms, and representations governing swap transactions. In addition to the ISDA Master Agreement, swap counterparties also negotiate 1) a Schedule to the ISDA Master Agreement that sets out specific business terms and conditions governing the derivative transactions executed under the agreement; and 2) a Credit Support Annex that states the provisions regarding the mutual posting of collateral, if required under the ISDA schedule. Individual transactions are evidenced by a Confirmation that lists the specific terms and conditions for a particular transaction.

On February 11, 1999, the Board authorized appropriate officers to enter into master interest rate swap agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P.; Lehman Brothers Financial Products Inc.; and Morgan Guaranty Trust Company of New York (now J.P. Morgan Chase). This item requests approval to expand the list of potential swap counterparties with which the U. T. System may execute interest rate swap transactions by having master swap agreements negotiated with additional counterparties. Expanding the list of potential counterparties is expected to minimize the U. T. System's interest cost by having additional firms compete on future swap transactions. The proposed swap counterparties were selected based on an evaluation of responses to a Request for Qualifications issued in July 2003.

When transactions are entered into under the ISDA Master Agreements, the costs thereof and the amounts payable thereunder shall be paid out of Pledged Revenues under the Master Resolution. The ISDA Master Agreements shall each constitute a "Credit Agreement" as defined under the Master Resolution and Chapter 1371 of the Texas Government Code and Parity Debt under the Master Resolution.

Note: Based on the opinion of outside bond counsel, the form of the ISDA master agreements is required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed ISDA master agreement is available on-line at

<http://www.utsystem.edu/bor/agendabook>. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 3 on Page 17 of the Agenda Book related to adoption of the Thirteenth Supplemental Resolution.

Discussion at meeting:

Regent Huffines asked if we have done any swaps to date and Interim Vice Chancellor for Business Affairs Philip Aldridge mentioned two from 2001 that were advanced refunding on a specific refunding transaction at that time. He mentioned the policy approved in February 2003, that governs how we execute a swap transaction and this item that will authorize execution of additional Master Interest Rate Swap Agreements that includes guidelines and restrictions on the actual transaction itself. Regent Huffines applauded efforts for planning ahead and asked if there was a bid process on the swap arrangement. Mr. Aldridge said the Resolution calls for and details a competitive bid process.

5. U. T. Board of Regents: Report on Investments for the three months ended August 31, 2003, and Performance Report by Ennis Knupp

Committee Meeting Information

Presenter(s): Mr. Boldt; Mr. Steve Voss, Ennis Knupp

Status: Report accepted

Motion: Made, seconded, and carried unanimously

Future Action: Consistency in use of IRR terminology; involve Ennis Knupp in providing benchmarks for the PUF and GEF

Agenda Item:

REPORT

Pages 27.1 - 27.9 of the Agenda Book contain the Summary Reports on Investments for the three months ended August 31, 2003.

Item I on Pages 27.1 - 27.3 of the Agenda Book reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 5.40% versus its composite benchmark return of 4.60%. The PUF's net asset value increased by \$393.9 million since the beginning of the quarter to \$7,244.8 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 27.4 - 27.7 of the Agenda Book reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was 5.45% versus its composite benchmark return of 4.60%. The GEF's net asset value increased \$120.8 million since the beginning of the quarter to \$3,584.8 million.

Item III on Page 27.8 of the Agenda Book reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was negative .29% for the three months versus the SITF's performance benchmark of negative .71%. The SITF's net asset value decreased by \$203.0 million since the beginning of the quarter to \$1,435.3 million. This decrease in net asset value includes withdrawals from the SITF, distributions, and net investment return.

Item IV on Page 27.9 of the Agenda Book presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$410,347 thousand to \$2,023,603 thousand during the three months since the last reporting period. Market values for the remaining asset types were fixed income securities: \$209,934 thousand versus \$321,821 thousand at the beginning of the period; equities: \$237,065 thousand versus \$211,361 thousand at the beginning of the period; and other investments: \$40,536 thousand versus \$10,226 thousand at the beginning of the period.

The Ennis Knupp Performance Report is on Pages 27.10 - 20.105 of the Agenda Book.

Discussion at meeting:

Committee Chairman Hunt introduced Mr. Steve Voss of Ennis Knupp who was hired by the Board of Regents to evaluate UTIMCO's performance.

Mr. Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of UTIMCO, said the PUF and GEF both outperformed the benchmarks for the quarter and had positive results which led to a positive return for the entire fiscal year. The Short Intermediate Term Fund also outperformed the benchmark even though there was a negative result for the quarter.

Regent Huffines asked for clarification on the PUF asset allocation related to hedge funds and Mr. Boldt explained how it was calculated.

Mr. Philip Aldridge, Interim Vice Chancellor for Business Affairs, again introduced Mr. Voss as well as Mr. Michael Sebastian of Ennis Knupp and reminded the Board that the Baker Botts report recommended hiring an independent investment consultant. Ennis Knupp prepared the performance report that will be refined over time based on needs and suggestions by the Board of Regents.

Mr. Voss made a few comments on the report and asked if there were any questions on the data. Regent Huffines asked how the private capital figure was determined and Mr. Voss said there were differences in methodology in calculating rates of return. Committee Chairman Hunt provided additional clarification and said in his opinion, using the same internal rate of return (IRR) terminology is a better measure of performance than time-weighted rate of return. He said the main thing that counts is the overall performance of the funds and how we did against the universe of other money managers to be able to judge our relative performance. Committee Chairman Hunt asked that Ennis Knupp provide benchmarks in terms of other endowments and asked what we can reasonably expect to return. He said we need to be as competitive here as we are in any other field.

Regent Huffines asked how often this report would be presented and Mr. Aldridge responded that the information would be prepared on a quarterly basis.

6. U. T. System: Permanent University Fund quarterly update

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Reported

Agenda Item:

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin excellence funds, and the AUF balance.

REPORT

As of August 31, 2003, the market value of the PUF was \$7.24 billion compared to \$6.85 billion as of May 31, 2003 (Figure A on Page 28.1 of the Agenda Book). During Fiscal Year 2004, \$348 million will be distributed to the AUF, compared to \$363 million in Fiscal Year 2003 (Figure B on Page 28.2 of the Agenda Book). PUF distributions to the AUF are projected to decline in Fiscal Year 2005 to \$336 million before increasing thereafter. Beginning in Fiscal Year 2009, PUF distributions may be capped for a period of time because the purchasing power of the PUF will not have been maintained as required by the Texas Constitution (Figure B on Page 28.2 of the Agenda Book). Based on the current assumptions and anticipated Library, Equipment, Repair and Rehabilitation allocations, there is an estimated \$137-\$181 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 7.40% or 9.35% investment return, respectively (Figures C and D on Pages 28.3 - 28.4 of the Agenda Book). PUF debt capacity is

affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure E on Page 28.5 of the Agenda Book).

Annually, the U. T. Board of Regents approves a distribution amount to the AUF. The PUF investment policy provides that, in conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the U. T. Board each May an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year. The AUF spending policy provides that a minimum of 45% of the projected income available to the U. T. System is distributed to U. T. Austin for excellence programs, the projected PUF debt service coverage ratio must not be less than 1.50 times, and the AUF balance must not be less than \$30 million.

Discussion at meeting:

Mr. Aldridge said it was a very good quarter for the PUF. The distribution for this fiscal year is lower than last fiscal year. The debt capacity has improved greatly with the improvement in PUF market value over the last 3 or 4 quarters.

In response to a request from Committee Chairman Hunt, Mr. Aldridge explained how distributions become capped and said it is based on a constitutional requirement that the PUF maintain its real purchasing power. Mr. Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of UTIMCO, added that distribution is capped in dollars rather than percentages and that projections are determined by using a single point estimate. He said because the PUF rules interact in nonintuitive ways, and because of smoothing mechanisms built into the rules, sometimes they work for you and sometimes they work against you.

7. U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2003

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Reported

Future Action: Consider reassessing energy savings goals for 5 and 10 years

Agenda Item:

REPORT

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will report on the progress of the Energy Utility Task Force for Fiscal Year 2003 using materials attached on Pages 29.1 - 29.7 of the Agenda Book. The Energy Utility Task Force

was created in February 2001 to evaluate and recommend strategies for U. T. System component institutions to reduce energy consumption, better manage commodity price risk, and leverage its 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 usage per square foot was targeted for Fiscal Year 2003. An annual update is presented to the Finance and Planning Committee of the Board each year.

Discussion at meeting:

Mr. Aldridge gave a brief history on the Energy Utility Task Force and reported that the projection for Fiscal Year 2003 is a 6.5% reduction in energy usage System-wide on a per square foot basis which exceeds the goal of 2-4%. He summarized the report contained on Pages 29.1 - 29.7 in the Agenda Book, highlighting several points:

- 1) U. T. Austin has had a majority (81%) of its natural gas for this fiscal year at a price well below the current price for natural gas;*
- 2) savings have been achieved on electricity through contracts with the General Land Office through its agent Reliant Energy Solutions, particularly in Houston; and*
- 3) we are beginning to reap benefits by leveraging our purchasing power through a contract involving six institutions in the Dallas area that will result in a projected savings of \$3.5 million per year among those institutions on their electricity.*

Regent Krier asked for clarification of the goal projection for Fiscal Year 2004 and asked that the energy savings goals for years 5 and 10 be reassessed so we can continue to push rather than resting on our laurels. She said the Committee and the campuses were to be commended because it is savings like this that show up in our not having to raise additional costs on the campuses and our being able to have more money that goes directly into the curriculum.

ADJOURNMENT

Committee Chairman Hunt announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 12:10 p.m.

MINUTES
U. T. Board of Regents
Academic Affairs Committee
November 12, 2003

The members of the Academic Affairs Committee of the Board of Regents of The University of Texas System convened at 2:10 p.m. on Wednesday, November 12, 2003, in the Caribbean Room of the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance:

Regent Krier, presiding
Regent Caven
Regent Craven
Regent Estrada
Regent Huffines

Also present were Vice-Chairman Clements and Counsel and Secretary Frederick.

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

1. **U. T. System: Update on Academic Affairs issues and response to questions concerning tuition review process**

<i>Committee Meeting Information</i>

<i>Presenter(s): Dr. Sullivan</i> <i>Status: Reported</i>
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Agenda Item:

REPORT

Dr. Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs, will provide an update on recent increases in enrollment and on recent actions of the Texas Higher Education Coordinating Board. She will also respond to questions regarding the tuition review process.

Discussion at meeting:

Dr. Sullivan reported that enrollment at the nine U. T. System academic component institutions was up by 8,000 students (5%). She also gave a brief update on items pending with the Coordinating Board and said the Coordinating Board will not consider the tables of programs in this cycle.

Dr. Sullivan then reported on the tuition review process beginning with a summary of the composition of the U. T. System Commission on Tuition, which includes faculty, staff, administrators, students, admissions directors, financial aid directors, deans, business officers, provosts, and others who play various roles from the 14 component institutions that charge tuition (the 15th institution, U. T. Health Center - Tyler, does not have students). She said the Commission has met twice to 1) orient and 2) discuss financial aid and that the Commission was meeting on November 14-15, 2003, to discuss the tuition proposals submitted by each of the 14 component institutions and a staff analysis prepared by the U. T. System Office of Academic Affairs. The Commission will advise Chancellor Yudof on the strong points and points of innovation in the proposals and will raise any concerns that members of the Commission may have. It is hoped to also get the Commission's advice on overarching issues that could help guide the cycle when tuition is again considered, presumably 12-15 months from now. The Commission's recommendations will be given to the Chancellor on November 15 and the Regents will meet on November 18 to consider the tuition proposals.

Chairman Krier said she has been impressed by the process, both at the System and campus levels, including the number of people involved and the openness and thoroughness of their conduct. She encouraged individuals to visit the U. T. System Web site (www.utsystem.edu/news/tuition), which contains a wealth of information on the tuition process. Chairman Krier commended each of the presidents and each of their schools on the efforts to make this process as open and as productive as possible.

Regent Estrada asked about the purpose of next week's Board meeting and Chairman Krier responded that tuition would actually be set since the deadline is close. She said today's discussion gives an opportunity to get dialog started and ask questions. Regent Estrada asked if only undergraduate tuition was being considered at this time and Chairman Krier said graduate and medical school tuition was also being considered and each of the 14 proposals is individualized according to the needs of the campus. She stated that Legislators were told that tuition deregulation would not just be used to raise tuition rates, but to help guide policy to encourage students to graduate on time; to encourage students to become involved in areas where our state particularly needs more nurses, engineers, or teachers; and to encourage better utilization of space by filling up courses.

Chairman Krier called on Mr. Michael Warden, Executive Director of Public Affairs, who mentioned the numerous news articles on tuition that have appeared in the last two months and said he would be pleased to provide the 127-page document to any of the Board members. He committed to organize the articles and have them available at the Commission's upcoming meeting. Mr. Warden summarized the information that can be found on the U. T. System tuition Web site and said that U. T. System will be a model for the state and nation. Chairman Krier urged that in addition to keeping the media and public updated, the campuses should share the

information with area Legislators so they will have it in a timely way and can ask questions. She said there will be more opportunity to discuss this issue at tomorrow's Board meeting.

2. U. T. Board of Regents: Amendment of the Regents' Rules and Regulations regarding solicitation [Part One, Chapter VI, Section 6, Subsection 6.6 and Subdivision 6.61, Subparagraph 6.61(r)]

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6 and Subdivision 6.61, Subparagraph 6.61(r), concerning solicitation, be amended as set forth below in congressional style:

6.6 Solicitation

The term "solicitation" means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; ~~the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization;~~ the receipt of or request for any gift or contribution; or the request to support or oppose or to vote for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to State or federal law or local ordinances.

6.61

...

- (r) Subject to the component institution's reasonable and nondiscriminatory rules concerning the time, place, and manner of distribution, sale, or display of material, the distribution, sale, or display by a students' association or a registered student, faculty, or staff organization of printed material (including any newspaper, magazine, or

other publication, ~~and~~ any leaflet, flyer, or other informal matter, or any sign, banner or exhibit), or the distribution or display of such material, at no cost, by individual students, faculty, or staff, or oral statements by students, faculty, staff, or their associations or registered organizations. ~~A Such a~~ publication within this rule may contain paid advertising, but only if the publication is devoted to promoting the views of a not-for-profit organization or to other bona fide editorial content distinct from the advertising. Printed material and oral statements under this rule may also contain advertising for academic or administrative units of The University of Texas System or its component institutions, for registered student, faculty, or staff organizations, or for organizations that are not operated for profit. This rule does not authorize any form of advertising except as provided in the preceding two sentences. This rule does not authorize distribution, sale, or display of any publication operated for profit. An organization, or A publication is operated for profit if any part of the net earnings ~~of the publication, or~~ of its operation or distribution, inures to the benefit of any private shareholder or individual.

BACKGROUND INFORMATION

These proposed amendments to the Regents' Rules and Regulations are a further recommendation of U. T. Austin's Task Force on Assembly and Expression. The Task Force concluded that students, faculty, and staff should be entitled to publicize and urge support for off-campus, not-for-profit organizations. The amendments would delete such activities from the definition of prohibited "solicitation" and would revise Subparagraph 6.61(r) to recognize the authority to pursue such activities. Specifically, the revision recognizes that students, faculty, and staff may urge support for and distribute the literature of off-campus, not-for-profit entities with which they identify.

3. **U. T. Board of Regents: Amendment of the Regents' Rules and Regulations regarding Special Use Facilities [Part One, Chapter VI, Section 6, Subsection 6.(10), Subdivision 6.(10)3] and delegation of authority for U. T. Austin to execute use agreement for arena football games**

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.(10), Subdivision 6.(10)3, concerning Special Use Facilities, be amended as set forth below in congressional style:

- 6.(10)3 As a lower priority, the rules and regulations may provide for reservation and use of Special Use Facilities by individuals, groups, associations, or corporations without the necessity of joint sponsorship by the U. T. System or component institution. Subject to all constitutional and statutory provisions relating to the use of State property or funds for religious or political purposes, Special Use Facilities may be made available for religious and political conferences or conventions. Rates must be charged for the use of the Special Use Facility that, at a minimum, ensure recovery of that part of the operating cost of the facility attributable directly or indirectly to such use. If the user charges those attending an event any admission or registration fee, or accepts donations from those in attendance, the component institution shall require the user to make a complete account of all funds collected and of the actual cost of the event. If the funds collected exceed the actual cost of the event, the user shall be required to remit such excess funds to the component institution as an additional charge for the use of the Special Use Facility provided however, the Board may permit exceptions to this requirement by the authorization of specific special use agreements via the Docket or Agenda.

It is further recommended that, as a permitted exception, President Faulkner or his designee be authorized to negotiate and enter into a use agreement with FesteCapital Sports Enterprises Ltd., for the use of the Frank C. Erwin, Jr. Special Events Center and the indoor practice facility for arena football.

BACKGROUND INFORMATION

This proposed amendment to the Regents' Rules and Regulations would permit a component institution to enter into a special use agreement for a Special Use Facility with an entity that intends to use the Facility as the site of a "for-profit" activity subject to the Board's prior authorization.

U. T. Austin has been approached by the owners of a professional arena football team for the use of the Frank C. Erwin, Jr. Special Events Center for eight annual home games and the indoor practice facility for limited practice sessions, and this proposed revision of the Regents' Rules and Regulations is necessary to allow such use.

Background materials from U. T. Austin providing more detail about the proposed use is included on Pages 32.1 - 32.8 of the Agenda Book.

Discussion at meeting:

Chairman Krier said this item is aimed at an amendment to a special use agreement for facilities on our campuses. This issue came to a head as U. T. Austin was trying to negotiate a contract to allow the new arena football team in Austin to play games in the Erwin Center and to do so in a way that allows the Erwin Center to gain additional revenue.

U. T. Austin President Larry Faulkner stated that it was very important for the public to understand that this renter team is not ours. This is a business arrangement whereby the commercial enterprise is simply contracting to use the facility. The modification to the Regents' Rules and Regulations is being proposed because previously users were prohibited from making a profit.

Regent Huffines asked to go on record as complimenting President Faulkner and Patricia Ohlendorf, Vice President for Institutional Relations and Legal Affairs at U. T. Austin, for the exceptionally fine job of negotiating the terms and conditions of the agreement, which he thinks will be good for the community of Austin.

Regent Krier said there may be other issues that we may want to look at amending in this area and said Counsel and Secretary Frederick informed us that this is precisely what is being reviewed for updating in the overhaul of the Regents' Rules, so this issue may come before us in another format later.

4. **U. T. Board of Regents: Amendment to the Regents' Rules and Regulations regarding charter schools (Part One, Chapter I, Section 9, Subsection 9.5 and Part Two, Chapter I, Section 5) (Withdrawn)**

Committee Meeting Information

*Presenter(s): Regent Krier
Status: Withdrawn*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.5 and Part Two, Chapter I, Section 5, regarding charter school operations, be amended as set forth below in congressional style:

- a. Amend Part One, Chapter I, Section 9, Subsection 9.5 as follows:

Sec. 9. Delegation to Act on Behalf of the Board

...

9.5 Delegation of Authority Related to Charter School Operations

Authority delegated by the Board in these Rules and Regulations includes actions related to the oversight and operation of ~~a charter~~ **a an open enrollment** charter school as authorized in Part Two, Chapter I, Section 5 of these Rules and Regulations.

- b. Amend Part Two, Chapter I, Section 5 as follows:

Sec. 5. Charter School Operations

Upon a finding by the Chancellor and the Executive Vice Chancellor for Academic Affairs that a proposed application ~~for a charter~~ to operate **a an open enrollment** charter school as authorized by Texas Education Code Chapter 12 Section 12.101 meets requirements of State law and furthers the institutional mission, an institution may apply to the State Board of Education to operate a charter school. Charter school operations will adhere to all applicable provisions of State law including the Texas Public Information Act.

The oversight and supervision of the charter school is delegated to the institutional president, with a report to the Board each year, detailing activities and performance of the charter school.

A board or ~~An advisory~~ council may shall be appointed by the president to advise him or her on operation of the charter school. The board or ~~advisory~~ council will comply with all provisions of the Texas Open Meetings Act applicable to the Board of Regents.

BACKGROUND INFORMATION

These amendments to the Regents' Rules and Regulations are proposed to reflect the legislative change authorizing a university to apply for an open enrollment charter as well as a college or university charter. At the time these Regents' Rules were added, Section 12.101 of the Texas Education Code authorized a university to apply to the State Board of Education to operate an open enrollment charter school. The legislature has provided authorization for another class of charter schools (a college or university charter) in Texas Education Code Section 12.152.

The amendment to the Regents' Rules also authorizes a "board" to be appointed by the president to advise him or her regarding operations of the charter school.

Discussion at meeting:

Chairman Krier indicated there was no need to go forward with this item at this time.

5. **U. T. Arlington: Authorization to purchase real property located at 509 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt**

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents:

- a. authorize the Executive Director of Real Estate to take all steps necessary to purchase the property located at 509 Summit Avenue, Arlington, Tarrant County, Texas, and to execute all documents related thereto; and
- b. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

U. T. Arlington wishes to acquire the Racquet Club Apartments property, which exists in a strategic location within the legislatively authorized acquisition zone for the U. T. Arlington campus and is needed to assemble a site on which to construct new student housing. The property is also designated for future acquisition in the campus master plan approved by the U. T. Board of Regents. The proposed purchase price is the appraised market value of \$1.45 million, and the proposed source of acquisition financing is Revenue Financing System Bond Proceeds to be repaid with net revenues from U. T. Arlington's housing operations. The terms and conditions are as reflected in the transaction summary on the following page.

Transaction Summary

Component:	U. T. Arlington
Type of Transaction:	Purchase
Property Name:	Racquet Club Apartments
Property Address:	509 Summit Avenue
Type of Property:	52-unit apartment complex
Year Built:	1958
Site:	56,088 square feet (1.29 acres)
Improvements:	39,422 gross square feet 38,749 rentable square feet
Parking:	66 spaces
Purchase Price:	\$1,450,000
Price Per Unit:	\$27,885
Price Per Rentable S.F.:	\$37.42
Appraised Value:	\$1,450,000 (Hanes Appraisal Company, James S. Hanes, MAI, July 2, 2003)

Discussion at meeting:

Chairman Krier said this is the purchase of the Racquet Club Apartments, which is in an area designated by the master plan and would be funded by Revenue Financing System Bond Proceeds.

U. T. Arlington President ad Interim Charles Sorber said that it was critically important to continue to move towards adding more adequate housing on campus and this property is right in the middle of the area being developed for our next complex, already approved in the Capital Improvement Program as the Meadows Run Phase II Complex, which will add 96 units. Responding to a question from Chairman Krier, Dr. Sorber said the apartments would be torn down and appropriate housing would be rebuilt to our standards.

Regent Huffines said he had toured both sites proposed in this item and in the item regarding 515 Summit Avenue (Item 6 on Page 36 of the Agenda Book). He said there was a waiting list of approximately 2,000 students for campus housing and he hopes we can move expeditiously to get the housing that is needed.

Chairman Krier asked if this was a willing seller. President Sorber answered yes and said Mr. Jim Wilson, Executive Director of Real Estate, was able to help with the negotiations.

6. U. T. Arlington: Authorization to purchase real property located at 515 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents:

- a. authorize the Executive Director of Real Estate to take all steps necessary to purchase the property located at 515 Summit Avenue, Arlington, Tarrant County, Texas, and to execute all documents related thereto; and
- b. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

U. T. Arlington wishes to acquire the Campus West Apartments property, which exists in a strategic location within the legislatively authorized acquisition zone for the U. T. Arlington campus and is needed to assemble a site on which to construct new student housing. The property is also designated for future acquisition in the campus master plan approved by the U. T. Board of Regents. The proposed purchase price is the appraised market value of \$1.4 million, and the proposed

source of acquisition financing is Revenue Financing System Bond Proceeds to be repaid with net revenues from U. T. Arlington's housing operations. The terms and conditions are as reflected on the transaction summary below:

Transaction Summary

Component:	U. T. Arlington
Type of Transaction:	Purchase
Property Name:	Campus West Apartments
Property Address:	515 Summit Avenue
Type of Property:	50-unit apartment complex
Year Built:	1962
Site:	46,174 square feet (1.06 acres)
Improvements:	30,355 gross square feet 29,907 rentable square feet
Parking:	66 spaces
Purchase Price:	\$1,400,000
Price Per Unit:	\$28,000
Price Per Rentable S.F.:	\$46.81
Appraised Value:	\$1,400,000 (Hanes Appraisal Company, James S. Hanes, MAI, August 27, 2003)

Discussion at meeting:

Chairman Krier said this is the purchase of the Campus West Apartments, which is in an area designated by the master plan and would be funded by Revenue Financing System Bond Proceeds.

U. T. Arlington President ad Interim Charles Sorber said that it was critically important to continue to move towards adding more adequate housing on campus and this property is right in the middle of the area being developed for our next complex, already approved in the Capital Improvement Program as the Meadows

Run Phase II Complex, which will add 96 units. Responding to a question from Chairman Krier, Dr. Sorber said the apartments would be torn down and appropriate housing would be rebuilt to our standards.

Regent Huffines said there was a waiting list of approximately 2,000 students for campus housing and he hopes we can move expeditiously to get the housing that is needed.

Chairman Krier asked if this was a willing seller. Dr. Sorber answered yes and said Mr. Jim Wilson, Executive Director for Real Estate, was able to help with the negotiations.

7. **U. T. Arlington: University Center Fire and Life Safety Project - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include new project; authorize institutional management; appropriate funds and authorize expenditure; parity debt**

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents approve the recommendations listed below for the U. T. Arlington University Center Fire and Life Safety Project:

Architecturally or Historically Significant:

Yes No

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

June 2004

Total Project Cost:

Source*
RFS

Current

-

Proposed

\$1,170,000

Debt Service:

The debt will be repaid from U. T. Arlington's auxiliary enterprise income and fund balances. The \$1,170,000 will be funded by commercial paper notes and retired over five years. The annual debt service coverage on this project is expected to be at least 1.8 times.

Recommendations:

- a. amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the University Center Fire and Life Safety Project at U. T. Arlington at a preliminary project cost of \$1,170,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Arlington to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds and authorize expenditure of \$1,170,000 from Revenue Financing System Bond Proceeds; and
- d. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

Project Description:

U. T. Arlington prepared a campus-wide survey to determine general compliance with good fire protection and life safety practice. The University Center currently has an outdated fire alarm system throughout, along with a fire sprinkler system in approximately 60% of the building. The University Center Fire and Life Safety Project will update and replace the existing fire alarm and fire sprinkler systems and add to the existing fire suppression system in the University Center to ensure compliance as defined by the National Fire Protection Association (NFPA) 101, 2000 Edition.

Due to the coordination issues, this repair and rehabilitation project would best be managed by the U. T. Arlington Facilities Management personnel who have the experience and capability to manage all aspects of the work.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

Chairman Krier indicated this item will expand the sprinkler system and fire alarms and make them compliant. U. T. Arlington President ad Interim Charles Sorber added that this project is a result of the recent survey done on the campuses on life safety issues.

8. U. T. Austin: Authorization to lease approximately 45.783 acres of land in Austin, Travis County, Texas

Committee Meeting Information

Presenter(s): *Mr. Jim Wilson*

Status: *Approved*

Motion: *Made by Regent Huffines, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that authorization be given for the U. T. System Real Estate Office, on behalf of U. T. Austin, to lease approximately 45.783 acres of land in Austin, Travis County, Texas, to the Simon Property Group, Inc., or affiliated business entity.

It is further recommended that the Interim Vice Chancellor for Business Affairs or the Executive Director of Real Estate be 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 recommendation.

BACKGROUND INFORMATION

On July 7, 2003, the U. T. Board of Regents reviewed ground lease proposals submitted by six development firms in response to a Request for Ground Lease Proposals issued on May 1, 2003, by the U. T. System Real Estate Office on behalf of U. T. Austin. The Board authorized negotiations with the Simon Property Group for the ground lease of approximately 45.8 acres of vacant land located immediately west of the main J. J. Pickle Research Campus in Austin, Texas. The terms and conditions are as reflected in the transaction summary below:

Transaction Summary

Component:	U. T. Austin
Transaction:	Ground Lease
Lessee:	Simon Property Group, Inc., or affiliate
Tract Size:	Approximately 45.783 acres
Land Use:	Retail shopping center and associated uses

Lease Term: 52 years (2-year development period plus 50-year operating term)

Extension Options: None

Proposal Fee: \$75,000 (paid by Lessee to U. T. Austin upon notice of selection)

Existing Lease

Termination Fee: \$1,000,000 (payable by Lessee to existing golf driving range lessee)

Ground Rent Schedule:

<u>Lease Year</u>	<u>Annual Rent</u>	<u>Lease Year</u>	<u>Annual Rent</u>	<u>Lease Year</u>	<u>Annual Rent</u>
1	\$1,441,753	19	\$2,059,179	37	\$2,941,014
2	\$1,470,588	20	\$2,100,362	38	\$2,999,834
3	\$1,500,000	21	\$2,142,369	39	\$3,059,831
4	\$1,530,000	22	\$2,185,217	40	\$3,121,028
5	\$1,560,600	23	\$2,228,921	41	\$3,183,448
6	\$1,591,812	24	\$2,273,500	42	\$3,247,117
7	\$1,623,648	25	\$2,318,970	43	\$3,312,059
8	\$1,656,121	26	\$2,365,349	44	\$3,378,301
9	\$1,689,244	27	\$2,412,656	45	\$3,445,867
10	\$1,723,029	28	\$2,460,909	46	\$3,514,784
11	\$1,757,489	29	\$2,510,127	47	\$3,585,080
12	\$1,792,639	30	\$2,560,330	48	\$3,656,781
13	\$1,828,492	31	\$2,611,536	49	\$3,729,917
14	\$1,865,061	32	\$2,663,767	50	\$3,804,515
15	\$1,902,363	33	\$2,717,042	51	\$3,880,606
16	\$1,940,410	34	\$2,771,383	52	\$3,958,218
17	\$1,979,218	35	\$2,826,811		
18	\$2,018,803	36	\$2,883,347		

Commencement

Date: May 14, 2004

Selection Process: Competitive Request for Proposals

Contingencies: Lessee may terminate the lease for any reason during the Inspection Period. Acceptable transportation, drainage, utility, environmental, and geotechnical studies, as well as City of Austin subdivision and zoning approvals must be obtained by Lessee prior to commencement of proposed development project.

Real Estate
Commission: Paid by Lessee

Discussion at meeting:

Chairman Krier said the Committee may recall a prior discussion when they were briefed on the possibility of leasing land at the Pickle campus to the Simon Property Group and that lease has been negotiated. U. T. Austin President Larry Faulkner deferred comments on the item to Mr. Jim Wilson, Executive Director of Real Estate, who said the negotiations went well and the documents are ready for him to sign shortly after approval by the Board.

Regent Huffines asked when it will be completed and if the land will go back on the tax rolls for the City of Austin. Mr. Wilson answered that the date the lease is effective, it will go on the tax rolls and that they hope to have a certificate of occupancy by the end of 2005. He also clarified that the lease is contingent upon getting all the required permits, including zoning.

Chairman Krier commented on the amount of rent (\$130 million) and said it was a great way to raise money that does not come out of tuition. Mr. Wilson said this contract will probably be renegotiated many times in the future due to changes in the anchor stores and other major tenants.

9. U. T. Dallas: Approval of M.S. in Biotechnology

Committee Meeting Information

Presenter(s): Regent Krier

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish a Master of Science in Biotechnology at U. T. Dallas; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to 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 Table of Programs for U. T. Dallas to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Dallas will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The primary educational objective of the proposed program is to provide a professional master's degree that links the technical skills of students and the needs of biotechnology companies in the Dallas/Fort Worth Metroplex. Because biotechnology companies need employees with a wide variety of disciplinary backgrounds, the program is designed to combine a rigorous 12 semester credit hour core of biology with 24 semester credit hours of electives from the fields of chemistry, computer science, mathematics, management, and political economy. The program will target students who have just completed their baccalaureate degrees and an important group of individuals who have entered career employment and who seek to enhance their skills, such as individuals who seek to use their chemistry, computer science, or management degrees in the new and growing area of biotechnology.

Program Quality

The proposed program will be administered by the School of Natural Sciences and Mathematics. The School currently offers master's and doctoral degrees in Chemistry, Mathematics, Molecular and Cell Biology, Physics, and Science Education. The same highly qualified faculty who teach and conduct research in these graduate degree programs will teach the core courses for the proposed program.

Program Cost

Estimated expenditures for the first five years of the proposed program are \$376,500. This includes \$160,000 for new faculty salaries, \$90,000 for program administration, \$90,000 for new graduate assistantships, \$12,500 for clerical staff, and \$24,000 for supplies and materials. U. T. Dallas will commit \$141,000 of existing resources in addition to \$409,416 in formula funding to finance the first five years of the program.

Discussion at meeting:

Chairman Krier said the degree proposal would be paid for with existing resources and formula funding.

10. U. T. Dallas: Campus Housing Phase IX - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Jenifer*

Status: *Approved*

Motion: *Made by Regent Craven, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Campus Housing Phase IX project at U. T. Dallas.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 10 on Page 71 of the Agenda Book.)

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

July 2005

Total Project Cost:

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$4,000,000

Project Description:

U. T. Dallas has requested that the Campus Housing Phase IX project begin because of the anticipated growth in enrollment and the heavy demand for housing. Current facilities are operating at close to 100% occupancy. The number of beds will increase by approximately 200 to be constructed in garden-style apartments.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

U. T. Dallas President Franklyn Jenifer said housing is needed to keep up with growth.

11. U. T. Dallas: Center for BrainHealth - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Jenifer*

Status: *Approved*

Motion: *Made by Regent Craven, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Center for BrainHealth project at U. T. Dallas.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 10 on Page 71 of the Agenda Book.)

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

October 2005

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Gifts	–	\$5,000,000

Project Description:

U. T. Dallas has received a significant contribution to support the building or the acquisition of a facility to house the Center for BrainHealth. The Center, which conducts innovative research and provides clinical services for a variety of brain disorders including brain injury, Alzheimer's disease, and stroke, is an important initiative and has generated significant community support in addition to this pledge.

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

Discussion at meeting:

U. T. Dallas President Franklyn Jenifer said a gift of \$5 million was received to construct this facility and he was recently notified that another \$1 million was available.

12. U. T. Dallas: Natural Science and Engineering Research Building - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Jenifer*

Status: *Approved*

Motion: *Made by Regent Craven, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Natural Science and Engineering Research Building project at U. T. Dallas.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 10 on Page 71 of the Agenda Book.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

December 2006

Total Project Cost:

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$85,000,000

Project Description:

U. T. Dallas has requested a Natural Science and Engineering Research Building project with approximately 200,000 gross square feet for technology research and development. The departments of computer science, natural science, and the engineering program are being developed with a goal to establish top ranking for the institution.

U. T. Dallas has requested the project be financed on an interim basis with Revenue Financing System (RFS) Bond Proceeds pending a long-term financing of the project under an agreement among U. T. Dallas, the General Land Office (GLO) and the Governor's Office. The current plan provides that, once completed, the facility will be sold to the GLO, on behalf of the Permanent School Fund, under a ground lease arrangement with U. T. Dallas which would simultaneously lease the facility back from the GLO under a 40-year operating lease. Proceeds from the sale of the facility to the GLO would be used to retire the interim RFS financing.

The agreement calls for U. T. Dallas, with the assistance of the Governor's Office, to attempt to secure general revenue appropriations during each biennium to offset the operating lease payments for the 40-year lease term. The agreement provides

that U. T. Dallas will seek 100% reimbursement of operating lease costs for the first 10 years, with the percentage declining to 0% by the 19th year of the lease. U. T. Dallas has agreed to generate income from external research contracts and other collaborative efforts to satisfy the lease obligations not covered through general revenue appropriations.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

U. T. Dallas President Franklyn Jennifer said this project is part of the \$300 million that Texas Instruments was able to get the State of Texas to provide to the University and said this will probably be one of the best facilities of its type in the southwest.

13. U. T. San Antonio: Approval of Ph.D. in Counselor Education and Supervision

Committee Meeting Information

Presenter(s): President Romo

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Doctor of Philosophy in Counselor Education and Supervision at U. T. San Antonio and to 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 Table of Programs for U. T. San Antonio to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. San Antonio will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposed program is designed to prepare students to become effective counselor educators, scholarly researchers, clinical supervisors and counseling practitioners. In addition, the program will prepare students to effectively address the pressing needs of linguistically and culturally diverse populations in San Antonio and South Texas.

The program will require 58 semester credit hours of coursework beyond the master's plus a satisfactory dissertation based on original research in the area of Counselor Education and Supervision. Students will be able to specialize in one or more areas including: community counseling, school counseling, cultural diversity in counseling, and educational leadership. Expertise in these areas will enable graduates to serve as leaders in local school districts, make significant contributions to mental health research, and offer essential support to meet the growing mental health needs of San Antonio and South Texas.

Program Quality

Twelve tenured and tenure-track current faculty with expertise in Counselor Education and Supervision will form the core of the program. In addition, it is anticipated that two additional full-time faculty members will join the core team by the third year of the program.

The Counseling faculty and staff have recently moved to the newly constructed Durango Building at the U. T. San Antonio Downtown campus. An existing clinic in the building includes audiovisual equipment and will be used to provide students with supervised clinical experience.

Program Cost

Estimated expenditures for the first five years of the program total \$2,010,500. This includes \$747,500 for new faculty salaries; \$82,500 for new program administrative costs; \$546,000 for student fellowships; \$409,500 for new teaching assistantships; \$125,000 for new clerical staff; and \$100,000 for supplies, materials, and equipment.

U. T. San Antonio will commit \$1,405,024 of existing resources (\$981,000 reallocated from department funds and \$424,024 reallocated from other University funds) in addition to \$663,941 in formula funding to finance the first five years of the program.

Discussion at meeting:

U. T. San Antonio President Ricardo Romo said this program will help fulfill needs at the local school districts by helping individuals become leaders on the campuses.

14. U. T. San Antonio: East Campus Building Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Romo*
Status: *Approved*
Motion: *Made, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the East Campus Building Phase I project at U. T. San Antonio.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 10 on Page 71 of the Agenda Book.)

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

November 2007

Total Project Cost:

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	–	\$72,000,000
Gifts		<u>\$ 3,000,000</u>
		\$75,000,000

Project Description:

Phase I of this project is a multiphase plan for developing U. T. San Antonio's East Campus Master Plan. The project would consist of a 150,000 gross square foot Research Building to include seminar rooms and conferencing facilities, research laboratories, faculty and staff offices, and student and faculty support facilities. This building would include sophisticated information technology features designed and installed for an information-intensive environment.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

U. T. San Antonio President Ricardo Romo said they continue to struggle as they grow to add more faculty and classrooms and this project will help meet that need.

15. U. T. San Antonio: East Campus Thermal Energy Plant - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Romo*
Status: *Approved*
Motion: *Made, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the East Campus Thermal Energy Plant project at U. T. San Antonio.

Architecturally or Historically Significant: (Note: Item is before the Board; see Item 10 on Page 71 of the Agenda Book.)

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: December 2006

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	RFS	–	\$5,000,000

Project Description: The increase of U. T. San Antonio enrollment and campus growth have made expansion necessary for the undeveloped east portion of the 1604 Campus. The Thermal Energy Plant will be built in conjunction with the East Campus Building Phase I project. This project will contain approximately 25,000 gross square feet to provide chilled water, hot water and steam to support new buildings planned for the East Campus development.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

U. T. San Antonio President Ricardo Romo said there is insufficient energy to meet building expansion and he is pleased about the addition of this cooling and heating system.

16. U. T. San Antonio: North/South Connector Road - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): *President Romo*

Status: *Approved*

Motion: *Made, seconded, and carried unanimously*

Future Action: *President Romo to consider how the road that is being built can be adapted to a pedestrian walkway in the future*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the North/South Connector Road project at U. T. San Antonio.

Architecturally or Historically Significant:

Yes No

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

June 2005

Total Project Cost:

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$8,000,000

Project Description:

The North/South Connector Road project will be constructed to link the north and south sides of the U. T. San Antonio campus by providing access from UTSA Boulevard from the south and Loop 1604 from the north. This project will also provide bridged pedestrian and vehicular connections from the existing 1604 Campus to the East Campus development.

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

*Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

U. T. San Antonio President Ricardo Romo said that a circular road has never been built on campus and this road will facilitate moving from one side of the campus to the other.

During the Facilities Planning and Construction Committee meeting, Regent Krier mentioned the North/South Connector Road that is being built on the U. T. San Antonio campus and suggested that President Romo consider how the road being built can be adapted to a pedestrian walkway in the future.

ADJOURNMENT

Committee Chairman Krier announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 2:45 p.m.

MINUTES
U. T. Board of Regents
Health Affairs Committee
November 12, 2003

The members of the Health Affairs Committee of the Board of Regents of The University of Texas System convened at 3:02 p.m. on Wednesday, November 12, 2003, in the Caribbean Room of the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance:

Regent Clements, presiding
Regent Caven
Regent Craven
Regent Huffines
Regent Krier

Also present were Regent Estrada and Counsel and Secretary Frederick.

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

1. **U. T. System: Requested revision of Mission Statements for U. T. Health Science Center - Houston and U. T. Health Center - Tyler and expansion of degree planning authority for U. T. Health Science Center - San Antonio**

Committee Meeting Information

Presenter(s): Dr. Guckian
Status: Approved

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Willerson, President Calhoun, and President Cigarroa that proposed changes to the Mission Statements for U. T. Health Science Center - Houston (Pages 50 - 52 of the Agenda Book) and U. T. Health Center - Tyler (Page 53 of the Agenda Book) and to the Table of Programs for U. T. Health Science Center - San Antonio (Page 54 of the Agenda Book) be approved and forwarded to the Texas Higher Education Coordinating Board for consideration.

BACKGROUND INFORMATION

Texas Education Code Section 61.051(e) requires the Texas Higher Education Coordinating Board to review public university Mission Statements and Tables of Programs every four years. These documents broadly describe the academic mission of each institution and the academic fields and degree levels that are appropriate to the mission. The Table of Programs specifically describes the current degree granting authority of each institution and those academic fields and degree levels within fields that each institution has the authority to plan for future degree offerings. Coordinating Board approval of new degree programs involves two steps: gaining planning authority for a program via the Table of Programs and submitting an acceptable proposal.

The four-year cycle of review is due for the health component institutions of The University of Texas System. Changes to Mission Statements and Table of Programs must be approved by the Board of Regents prior to submittal to the Coordinating Board for consideration.

The University of Texas Health Science Center at Houston

Mission Statement (*Changes shown in congressional style*)

The University of Texas Health Science Center at Houston (UTHSC-H) is a component of The University of Texas System committed to the pursuit of high standards of achievement in finest instruction, academic performance, student performance, clinical service, research, and scholarly accomplishment, and clinical training of students in the major health disciplines; and in the instruction and training of biomedical research scholars – all toward improvement of the health of Texans.

As an academic health science center, U. T. Health Science Center – Houston this institution is one in which undergraduate, graduate, and post-graduate students are educated broadly in the sciences of health and disease and are prepared for health-related careers in the provision of human services, and for investigating ~~selected undergraduate medical and dental professional, graduate and postgraduate students in their individual disciplines and in aspects of health, disease and the mysteries of the biomedical sciences, particularly those that cross disciplinary boundaries.~~ Within an environment of academic freedom, students U. T. Health Science Center - Houston offers sixteen distinct degree programs and seven joint degree programs to over 3,000 of these students each year. Students learn from faculty scholars who have in-depth and broad-ranging expertise in the predominant health disciplines and the biomedical sciences. The faculty conduct research Research both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise is led by faculty who involves and educates. ~~S~~students and trainees have many opportunities to participate in these research pursuits.

UTHSC-H consists of the following organizational units which are listed by date of establishment:

Dental Branch (established 1905; joined U. T. 1943)*

Graduate School of Biomedical Sciences (1963)*

School of Public Health (1967)*

Medical School (1970)*

School of Nursing (1972)*

School of Health Information Sciences (established as the School of Allied Health Sciences 1973; reorganized and name changed 2001)*

Harris County Psychiatric Center (established 1981; joined UTHSC-H 1989)

The comprehensiveness of this uUniversity, featuring the presence of six major health-related schools – medicine, dentistry, public health, nursing, health informatics, and biomedical science – provides an environment beneficial both to individual health disciplines and to interdisciplinary and collaborative endeavors in teaching, research and service. Interdisciplinary projects and activities bring faculty

and students together in a rich learning environment. Collectively, these units respond to the health care manpower needs of the citizens of Texas, the City of Houston, and Harris County and its surrounding counties by developing creative models for the training of health professionals, particularly emphasizing interdisciplinary educational models, and addressing the growing demand for primary care health professionals. ~~Collaboration among faculty across the six schools and colleague institutions in the Texas Medical Center produce scholarly innovations in research and services. The academic units of U. T. Health Science Center – Houston include:~~

~~Dental Branch (established 1905, joined U. T. 1943)*~~

~~Graduate School of Biomedical Sciences (1963)*~~

~~School of Public Health (1967)*~~

~~Medical School (1970)*~~

~~School of Nursing (1972)*~~

~~School of Allied Health Sciences (1973)*~~

~~*This academic unit offers degrees and programs with subjects limited to health-related fields.~~

~~U. T. Health Science Center – Houston responds to the health care manpower needs of the citizens of Texas, the city of Houston, and Harris County and its surrounding counties. With over 200 clinical affiliates in the State, U. T. Health Science Center – Houston-UTHSC-H provides health professions students with a variety of clinical and community-based experiences. With such experiences in urban, suburban, and rural environments, UTHSC-H students are trained where Texans live. The School of Public Health, the oldest accredited school of public health in the State of Texas, acknowledges and accepts a unique responsibility to reach throughout the state to prepare individuals for the challenges of this expanding field. Four regional campuses are already in place in Brownsville, Dallas, El Paso, and San Antonio to assist in meeting the increasing demand for public health professionals. The health informatics program in the School of Health Information Sciences is unique in Texas – and the nation. With its interdisciplinary focus, this program provides an invaluable resource of expertise and training in health informatics for our state. Primary clinical affiliates are the Memorial Hermann Hospital and the L.B.J. General Hospital and Neighborhood Health Centers of the Harris County Hospital District.~~

~~In addition to the six schools, the~~The Harris County Psychiatric Center (HCPC) is a unique feature of the organization ~~clinical affiliate managed by the U. T. Health Science Center – Houston~~ that is committed to advances in mental health services and care as well as education of mental health-care professionals.

~~The University of Texas Health Science Center at Houston considers itself a member of a large learning community and works to contribute to and draw from the intellectual pursuit of the other institutions in the Texas Medical Center and the greater Houston area. Many and varied community-based sites and internships are~~

~~available to students for experiences outside the clinical setting. With such varied opportunities to learn by doing in urban, suburban and rural environments, U. T. Health Science Center – Houston students are trained where Texans live.~~

To benefit ~~the~~ this local community and the entire State of Texas, ~~U. T. Health Science Center – Houston~~ this institution offers a variety of continuing education and ~~outreach~~ programs to assist practicing health professionals in utilizing the latest findings of research from the worldwide community of scholars and practice in clinical and biomedical fields. ~~As a result of participation in these~~ Through these professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease. With these ~~Other~~ outreach efforts and programs ~~are~~ aimed at promoting science and math as well as careers in health care to young students in grades K-12, UTHSC-H and to undergraduate institutions. ~~U. T. Health Science Center – Houston aspires to create new opportunities for students to enter the health and science professions and thus address future~~ will meet new challenges to the health of the citizens of the State of Texas.

*This academic unit offers degrees and programs with subjects limited to health-related fields.

The University of Texas Health Center at Tyler

Proposed Mission Statement

To serve East Texas and beyond through excellent patient care and community health, comprehensive education, and innovative research.

Current Mission Statement

The University of Texas Health Center at Tyler will provide the citizens of Texas with leadership and excellence in the diagnosis, treatment, and prevention of diseases, and in primary patient care, biomedical research and health education with an emphasis on cardiopulmonary disease.

**The University of Texas Health Science Center at San Antonio
Requested Expansion of Degree Planning Authority**

Dentistry: Planning Authority for an integrated D.D.S. /
Ph.D. in Dentistry

Medicine: Planning Authority for an integrated M.D. /
Ph.D. in Medicine

Discussion at meeting:

Acting Executive Vice Chancellor for Health Affairs Guckian said there are no changes to the mission statements or table of programs for the other health components at this time. Chairman Clements said proposed changes are primarily to streamline the wording.

2. **U. T. Health Science Center - Houston: Approval to name the Institute of Molecular Medicine for the Prevention of Human Diseases as the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)**

Committee Meeting Information

Presenter(s): President Willerson

Status: Approved

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that approval be given U. T. Health Science Center - Houston to name the Institute of Molecular Medicine for the Prevention of Human Diseases as the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases.

BACKGROUND INFORMATION

The Brown Foundation of Houston has been a longtime supporter of The University of Texas Health Science Center at Houston. The Foundation made a recent contribution of \$20 million to the Health Science Center's New Frontiers Campaign. In recognition of the Foundation's continuous and generous support, it is fitting that one of the institution's major research centers be named in honor of the Foundation. The Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases designates the official name of the center rather than the building. The specific name is in agreement with the action of the Foundation's Board of Trustees on September 16, 2003.

Discussion at meeting:

Chairman Clements asked Dr. Willerson to express appreciation to the Brown Foundation for their assistance not only in Houston, but all across the state.

3. **U. T. Health Science Center - San Antonio: Medical Integrated Plaza Feasibility and Planning Study - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include study**

Committee Meeting Information

Presenter(s): Mr. Sanders, President Cigarroa

Status: Approved

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Medical Integrated Plaza Feasibility and Planning Study at U. T. Health Science Center - San Antonio at a preliminary project cost of \$300,000 with funding from Medical Services, Research and Development Plan.

BACKGROUND INFORMATION

U. T. Health Science Center - San Antonio intends to explore the feasibility of developing an ambulatory clinic building to support the medical practice plan of the institution's medical faculty. Such a facility would allow the institution greater control in delivering health-care service, and enhancing the financial efficiency.

In order to determine the feasibility, scope, and budget of the project, the institution will need to complete a facility use program involving preliminary design and the cost estimate.

The Medical Integrated Plaza Feasibility and Planning Study at U. T. Health Science Center - San Antonio will help determine the scope of the project, which will be submitted to the U. T. Board of Regents for approval at a future date.

Discussion at meeting:

Mr. Sidney J. Sanders, Assistant Vice Chancellor for Facilities Planning and Construction, said it will take about 6 months for the study for the laboratory clinic to be completed.

4. **U. T. Health Science Center - San Antonio: Recommendation for approval to include adjustment in allocation of royalties and award of incentive payments as provisions of institutional Invention Revenue Sharing Policy**

Committee Meeting Information
Presenter(s): <i>President Cigarroa</i>
Status: <i>Approved</i>

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that The University of Texas Health Science Center at San Antonio be authorized to include provisions in its institutional Invention Revenue Sharing Policy to adjust the allocation of royalties, based upon net intellectual property income, as set out below:

Amount*	Inventor	HSC	Unit**	Dean
≤ \$250,000	40%	27.5%	27.5%	5%
>\$250,000	40%	37.5%	17.5%	5%

*Net intellectual property income

**Unit refers to the appropriate department, center, etc. When this is unclear, the Institutional Intellectual Property Advisory Committee will determine the appropriate unit.

It is further recommended that the institution be authorized to include provisions for award of incentive payments in its Invention Revenue Sharing Policy as follows:

- \$250, shared by inventor(s), upon approval to go forward with the patent application; and
- \$2,000, shared by the inventor(s), when patent is granted.

BACKGROUND INFORMATION

Part Two, Chapter XII, Section 4, Subsection 4.2, Subdivision 4.25 of the Regents' Rules and Regulations provides that components may change the default royalty-sharing provision of 50% to the inventor(s) and 50% to the employing U. T. System institution with the Board's prior approval via an agenda item. Subdivision 4.25 requires that "in no event" shall the inventor receive more than 50% or less than 25% of such royalty proceeds.

U. T. Health Science Center - San Antonio believes the proposed alternative royalty-sharing allocation and incentive payment authorization will encourage faculty to apply for patents and more appropriately reward the departments in which they are employed.

The proposed policy changes are consistent with recommendations of a U. T. System Task Force on Technology Transfer presented to the Board's Finance and Planning Committee on April 2, 2002. The Task Force recommended allocation of 40% of the royalties to the inventor and 60% to the institution.

The proposed policy changes have been the subject of considerable review and discussion by faculty, staff, and administrators at U. T. Health Science Center - San Antonio and have received a favorable response.

Discussion at meeting:

President Cigarroa said the institution established an Office of Technology Venture to facilitate clinicians and clinician scientists to acquire patents. He said the policy is consistent with recommendations of the U. T. System Task Force on Technology Transfer and expertise was also provided by U. T. Southwestern Medical Center - Dallas. Dr. Cigarroa said he wants to provide an environment to incentivize intellectual property and reward those who acquire patents. He said the policy also protects inventors. He outlined the process of preparing the policy and said revenue sharing policies at other institutions were also studied and that revenue sharing to the inventor will be kept at 40%.

5. U. T. Health Science Center - San Antonio: Authorization to conduct a private fundraising campaign

Committee Meeting Information

Presenter(s): President Cigarroa
Status: Approved

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Cigarroa that authorization be given for U. T. Health Science Center - San Antonio to conduct a private fundraising campaign to fund priority areas of excellence pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 5, Subsection 5.5.

BACKGROUND INFORMATION

Over the past three years, groundwork has been laid for a comprehensive fundraising campaign. After careful study, a recommendation was made to proceed with the campaign, which received unanimous endorsement by The University of Texas Health Science Center at San Antonio's Development Board on November 6, 2002.

The proposed campaign will focus on a major research building in the South Texas Medical Center and funding for five areas of excellence including (1) cardiovascular and metabolic biology, (2) neurobiology, (3) developmental and regenerative biology, (4) cancer biology, and (5) biodefense and infection.

A goal for private sector support has been set at \$200 million over five years, beginning January 1, 2004, and concluding December 31, 2008. To accomplish this goal, U. T. Health Science Center - San Antonio has worked to strengthen development and other volunteer organizations and continue to implement plans for alumni involvement.

6. Expanded role with U. T. Austin and other organizations in medical education and health research in Austin

Committee Meeting Information

Presenter(s): Dr. Guckian
Status: Reported

Agenda Item:

PURPOSE

Dr. Guckian will lead a discussion of proposed collaborative plans for possible expanded medical education and research in Austin. No action is requested of the Board of Regents at this time. Any program or agreement requiring Regental action (for example, joint degree programs and contracts) will be presented for action at a later date.

BACKGROUND INFORMATION

The University of Texas Medical Branch at Galveston has a long history of medical service and partnership in Austin. U. T. Medical Branch - Galveston has been training residents at Brackenridge Hospital since the 1950s. The 77th and 78th Legislatures authorized U. T. Medical Branch - Galveston to spend appropriated and institutional funds to support and develop student and resident training services in Austin (General Appropriations Act, Article III, Section 7).

In 2002, 106 U. T. Medical Branch - Galveston medical students performed clerkships in Austin; U. T. Medical Branch - Galveston currently has 112 medical students in clerkships in Austin. Most recently, U. T. Medical Branch - Galveston presented to the accrediting body for medical residencies, the Residency Review Committee (RRC), its plan for an Austin-based U. T. Medical Branch - Galveston Obstetrics/Gynecology residency.

U. T. Medical Branch - Galveston has entered into discussions with a number of organizations in Central Texas, with the U. T. Austin Graduate School establishing a M.D./Ph.D. program, with Seton/Brackenridge Hospital regarding expanding the number of residency programs and medical students in Austin, and with the Central Texas Veterans Healthcare System (VA System) regarding additional services provided to veterans and participating in clinical research. The U. T. Health Science Center - Houston School of Public Health likewise has entered into discussions with U. T. Austin and the Texas Department of Health regarding collaborative planning in research and education. These collaborations would complement and benefit all three U. T. component institutions. Examples include bioengineering, informatics, and expanded and diverse clinical experiences for students and residents. Eventually, these organizations, along with several others, decided to work and plan more formally. As a consequence, they formed a nonprofit association, Central Texas Institute for Research and Education in Medicine and Biotechnology (CTI). CTI is committed to the advancement and application of biomedical research and health science education in Central Texas. Members of CTI include:

- The University of Texas at Austin
- The University of Texas Medical Branch at Galveston
- The University of Texas School of Public Health at Houston
- Daughters of Charity Health Services (Seton Medical Center/Brackenridge Hospital) - Austin
- St. David's Healthcare Partnership - Austin
- Central Texas Veterans Healthcare System - Temple
- Greater Austin Chamber of Commerce

The University of Texas Health Science Center at San Antonio recently appointed an advisory representative to CTI.

EDUCATIONAL GOALS OF CTI

Expand Health Professional Education in Austin

To support, enhance, and bring recognition to undergraduate and graduate medical education by

- providing a system for education of medical students and residents through affiliated in-patient facilities and clinics in Austin;

- studying community needs and providing additional residency programs to address those needs; and
- expanding access to health services to, and public health infrastructure for, citizens in Central Texas.

Establish Joint Degree Programs

A jointly developed curriculum for M.D./Ph.D. (U. T. Austin and U. T. Medical Branch - Galveston) and M.D./Master of Public Health programs (U. T. Austin and U. T. Medical Branch - Galveston; U. T. Austin and U. T. School of Public Health - Houston) will be planned.

Expand School of Public Health Programs

Strengthen public health activities in Austin by building relationships with other public health entities for the purpose of collaborating on meaningful and functional public health projects.

Health-care Workforce Development

To collaborate, develop, and participate in the coordination of health science education and training at the community college, undergraduate, and graduate levels for the purpose of creating a supply of medical personnel to staff area medical facilities.

RESEARCH GOALS OF CTI

Increase Multi-Institutional Collaboration

- Develop facilities, infrastructure, and personnel
- Joint work on clinical studies
- Develop wet lab space
- Acquire medical instrumentation
- Imaging Center (The VA System, U. T. Austin and U. T. Medical Branch - Galveston plan to install and operate an imaging center by the end of 2004.)
- Move basic science research to commercialization
- Collaborative grant writing

Enhance the Development of Intellectual Property for Commercialization

Interface with business community for the commercialization of biomedical and biotech research. Outcome of interfacing is to gain venture capital, business plans, and marketing expertise and to produce patents, products, and services.

Increase Influence on Public Policy Through Evidence-Based Research

Develop the capacity to enable researchers and public health students to collaborate and consolidate research expertise for all areas of public health. Expected outcomes are reports on the health of Texas and to translate research findings into public health policy.

Discussion at meeting:

Acting Executive Vice Chancellor for Health Affairs Guckian called on President Faulkner who said U. T. Austin wants to strengthen health and agriculture programs and thus, wants to build more volume of medical education and research and promote development of M.D.s and Ph.D.s in the Austin area. He said this is more likely to be done in partnership with others, such as CTI where partners come together.

President Willerson asked Dr. Guy Parson, Dean of the School of Public Health, to describe how U. T. Health Science Center – Houston wants to establish a health office in Austin in collaboration with U. T. Austin and U. T. Medical Branch – Galveston. Dr. Parson said this initiative would also help in collaborating with the Department of Public Health. Since Austin is the largest area in Texas where U. T. Health Science Center – Houston does not have a presence, the institution is looking at the long term to develop a regional campus in the Austin area for public health.

Dr. Guckian said these needs instigated the idea of the CTI that has met almost monthly, and Regent Craven commended the dialogue, saying it was long overdue. Regent Krier asked if the other health institutions will be included, and Dr. Guckian said he hopes all components will be included.

New item on yellow paper:

7. U. T. Medical Branch - Galveston: Discussion regarding a lease agreement with City of Austin to operate a health facility for women

Committee Meeting Information

Presenter(s): *Dr. Guckian; President Stobo; Dr. Karen Sexton, Chief Operating Officer, U. T. Medical Branch - Galveston*

Status: *Reported*

Future Action: *Revise contract and include on agenda for next Board meeting.*

Agenda Item:

PURPOSE

President Stobo will lead a discussion concerning a lease agreement with the City of Austin (City) to operate a health facility for women (to be known as the U. T. Medical Branch – Austin Women’s Hospital) located on the fifth floor of the City-owned hospital known as Seton/Brackenridge Hospital. No action is requested at this time.

BACKGROUND INFORMATION

The City of Austin has asked U. T. Medical Branch - Galveston to consider contracting to lease and operate the Austin Women’s Hospital. The Austin Women’s Hospital is a 12-bed acute care hospital facility within the Seton/Brackenridge Hospital facility.

An ordinance approved by the Austin City Council authorizes the City’s negotiation, execution, and delivery of the lease agreement with U. T. Medical Branch - Galveston (including the assignment of inventory).

U. T. Medical Branch - Galveston has a long history of addressing the needs of the medically underserved and in managing a hospital with particular emphasis on serving the special needs of women and children.

U. T. Medical Branch - Galveston currently operates 39 Regional Maternal and Child Health Clinics. The services U. T. Medical Branch - Galveston would provide through the Austin Women’s Hospital would be the same as those performed throughout its hospitals and clinics and by other health care systems in this state.

Most recently, U. T. Medical Branch - Galveston presented its plan for an Austin-based U. T. Medical Branch - Galveston Obstetrics/Gynecology residency program, and operating the Austin Women’s Hospital will be essential to the development of this program.

The lease arrangement under discussion contains the following:

- U. T. Medical Branch will lease the fifth floor of the main Brackenridge Hospital building along with equipment located in the Austin Women's Hospital.
- U. T. Medical Branch will provide obstetrical, gynecological, and women's reproductive health services for the City's female residents, and care for their newborns.
- A primary term of five years, as approved by the U. T. Board of Regents and approved by the Austin City Council
- U. T. Medical Branch - Galveston will realize revenue each year from Medicaid reimbursements for hospital services.
- The City will also pay U. T. Medical Branch - Galveston a contractually agreed upon amount per month to operate the Austin Women's Hospital. Payment amounts will be renegotiated each year, with a minimum amount payable to U. T. Medical Branch – Galveston. Operational costs include such things as hospital staffing, ancillary services, pharmacy, supplies, and physician services.
- The City will be responsible for lease build-out costs and will provide equipment and inventory necessary for initial operation of the hospital.
- U. T. Medical Branch - Galveston will be responsible for contracting with and credentialing physician groups to provide physician and medical director services.

Discussion at meeting:

This item was considered before item #6 above.

Acting Executive Vice Chancellor for Health Affairs Guckian said there was a delay in contract negotiations, thus the item was before the Board as a discussion versus an action item. He called on President Stobo to outline the terms of the agreement.

Dr. Stobo started with explaining some background of U. T. Medical Branch – Galveston's (UTMB) involvement in educational programs with the City of Austin, which goes back to 1950. The relationship was formalized in 1997 when the Central Texas Medical Foundation with Seton approached UTMB with a proposal for residents to do a clinical rotation in Austin. This resulted in a residency for 3 months as part of their official clinical rotation. UTMB now has 23 students spending their entire third year in residency in Austin. He said this year the City of Austin approached UTMB via the U. T. System to manage a hospital in a hospital, which will continue UTMB's involvement to expand medical education and research.

Dr. Karen Sexton, Chief Operating Officer at UTMB, reviewed the five-year proposal, saying an estimated \$7.5 million would be required to operate the facility for the first year. She said UTMB would realize \$4.4 million in Medicaid reimbursement and the City will pay UTMB \$3.1 million the first year. She said the City would be responsible for the build-out costs and provide all equipment and initial inventory for operation of the hospital. She said significant lead time is needed to implement the project. Dr. Sexton said the monthly payments would be renegotiated for the next year(s) based on experience and outlined terms of how to cover any projected year-end loss. Dr. Stobo clarified that UTMB's interest is in 1) women's and children's health, 2) a "Program B" residency program in Austin with a controlled learning environment for training purposes, and 3) being a partner with Austin.

Regent Huffines expressed concern about the City's commitments and authority under the agreement including the amount the City would pay and about the normal, periodic changes of City Council members. Regent Krier expressed concern about certain aspects of the contract, including the clarity and mediation, and asked she be assured that changes discussed be made in the contract. There was further discussion about the underlying assumptions in the contract and how the operations and services would be aligned in case of financial loss. UTMB legal counsel was consulted and spoke. Dr. Guckian raised concern over the timeline with the effective date of the contract being January 6, 2004, and implementation date as January 26, 2004. Regent Krier and Regent Huffines emphasized the first step is to get the contract correct and ready.

New Report at Committee Meeting:

Committee Chairman Clements called on President Wildenthal who informed the Board that U. T. Southwestern Medical Center – Dallas is ahead of schedule in their fundraising campaign and wished to extend the goal from \$450 million to \$500 million.

ADJOURNMENT

Chairman Clements announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 3:50 p.m.

MINUTES
U. T. Board of Regents
Facilities Planning and Construction Committee
November 12, 2003

The members of the Facilities Planning and Construction Committee of the Board of Regents of The University of Texas System convened at 4:00 p.m. Central Standard Time on Wednesday, November 12, 2003, in the Caribbean Room at the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance:

Chairman Huffines, presiding
Regent Clements
Regent Estrada
Regent Hunt

Also present were Regent Craven, Regent Krier, and Counsel and Secretary Frederick.

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

Additional Report at meeting:

Chairman Huffines asked Mr. Sidney J. Sanders, Assistant Vice Chancellor for Facilities Planning and Construction, to summarize the Facilities Planning and Construction portfolio. Mr. Sanders said there are 82 active projects, 32 of which are under construction. He said the three largest projects total approximately \$900 million dollars. The committee will review these every quarter or so.

- *The University of Texas M. D. Anderson Cancer Center: Ambulatory Clinical Building*

*Total Project Cost: \$366 million
Status: 54% complete, on budget, very tight, a lot of scope issues
Substantial Completion Date: February 2005*

- *The University of Texas Southwestern Medical Center at Dallas: North Campus Phase IV*

*Total Project Cost: \$307 million
Status: 55% - 60% complete, on budget, on schedule
Substantial Completion Date: November 2004*

- *U. T. M. D. Anderson Cancer Center: George and Cynthia Mitchell Basic Sciences Research Building*

*Total Project Cost: \$222 million
 Status: 70% complete; technically complex building
 Substantial Completion Date: late Spring 2004*

1. **U. T. Austin: Benedict/Mezes/Batts Renovation - Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine Phase I and Phase II projects; increase total project cost; appropriate funds and authorize expenditure**

Committee Meeting Information

Presenter(s): *Mr. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*
Status: *Approved*
Motion: *Made by Regent Estrada, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the Benedict/Mezes/Batts Renovation - Phase I.

Project Number: 102-027

CIP Approval and Amendments: November 1999; May 2002; November 2002

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: March 2004

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	RFS	\$30,000,000	\$30,000,000
	Designated Tuition		<u>\$18,000,000</u>
			\$48,000,000

- Recommendations:**
- a. combine Phase I and Phase II;
 - b. increase the total project cost from \$30,000,000 to \$48,000,000; and
 - c. appropriate funds and authorize expenditure of \$18,000,000 from Designated Tuition.

Previous Board Actions: In November 1999, the project was authorized for inclusion in the CIP. In May 2002, the project received design development approval and funding was appropriated. In November 2002, total project cost was reduced and funding source was revised.

Project Description: The Phase I renovation work for Benedict Hall and Mezes Hall is under construction and expected to be completed in May 2004. Combining Benedict/Mezes/Batts Renovation Phase I and Phase II would enable the University to increase the scope of work and realize efficiencies by renovating Batts Hall under the same construction contract.

The additional \$18,000,000 of work associated with the Phase II work will include the completion of renovation of classrooms and offices in Batts Hall and is proposed to be funded from Designated Tuition. The combined Benedict/Mezes/Batts Renovation Phase I and Phase II project would have a total project cost of \$48,000,000.

* Funding Source = RFS (Revenue Financing System Bond Proceeds)

2. **U. T. Austin: Marine Science Institute Wetlands Education Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise source of funds and appropriate funds and authorize expenditure**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction

Status: Approved

Motion: Made by Regent Estrada, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the Marine Science Institute Wetlands Education Center.

Project Number: 102-026

CIP Approval and Amendments: November 1999; August 2001

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: December 2005

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$4,870,000	\$3,870,000
	Designated Tuition		\$450,000
	Unexpended Plant Fund		\$550,000
	Gifts	<u>\$ 130,000</u>	<u>\$130,000</u>
		\$5,000,000	\$5,000,000

Recommendations:

- a. revise the source of funds; and
- b. appropriate funds and authorize expenditure of \$450,000 of Designated Tuition and \$550,000 of Unexpended Plant Funds.

Previous Board Actions: The Board of Regents originally added this project to the CIP in November 1999 at \$1,000,000. The project was increased to \$5,000,000 as part of the CIP approval in August 2001.

Project Description: The University of Texas at Austin seeks Board of Regents' approval to revise the source of funds in order to enter into a Section 206 Project Cooperation Agreement with the U. S. Department of the Army (Corps of Engineers or the Corps) for the purpose of accomplishing Stage 1a of the Marine Science Institute (MSI) Wetlands Education Center. This project is currently approved by the Board of Regents with a preliminary project cost of \$5,000,000 with funding from Gifts and Grants. Institutional management of Stage 1a (\$1.8 million) was approved by the Chancellor in June 2003.

U. T. Austin is prepared to enter into an agreement with the Corps under which the Corps will perform the majority of the work in Stage 1a of the MSI Wetlands Education Center project. The total value of the Corps work is estimated at approximately \$2.5 million to \$2.85 million, of which 65% will be funded by the federal government under the Federal Waterways Act and 35% by U. T. Austin. To secure the federal portion of the funding for this project, U. T. Austin is required to demonstrate that it has matching funds of up to \$1 million available to satisfy its obligations. Approval of the proposed change in funding satisfies the matching

requirement and will allow Stage 1a to proceed. The remaining stages of the project (totaling \$3.2 million) will be presented to the Board of Regents for design development approval at a future date.

Stage 1a consists of site work to construct a salt marsh and modifications to the ship channel and boat basin to create a tidal pool. Future stages will include elevated walkways, trails, modifications to the existing visitor center and related parking. This facility will enhance the MSI Public Outreach Program as well as research opportunities for MSI students.

Discussion at meeting:

President Faulkner said the \$1 million is a loan and that the project over time will be funded by gifts and also will be one of the beneficiaries of environmental fines. He said in order to enter into the contract with the Army Corps of Engineers, the \$1 million has to be guaranteed up front so we are providing the guarantee but our intent is in the end not to have to deliver those funds.

Chairman Huffines asked if other companies or individuals could designate environmental fines to this project?

Dr. Faulkner responded yes, under the Environmental Protection Laws, if you are fined for an environmental violation, you have the option of paying that fine to a number of designated environmental projects, and we have managed to get the Wetlands project on that list.

3. U. T. Dallas: Campus Master Plan Update

Committee Meeting Information

Presenter(s): Mr. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; President Jenifer; Mr. Mike Managan, Architect, 3D/International

Status: Reported

Motion: Made, seconded, and carried unanimously

Agenda Item:

REPORT

Mr. Sidney J. Sanders and Mr. Mike Managan, architect with 3D/International, will narrate graphics illustrating the Campus Master Plan, 2002 at U. T. Dallas, following remarks by President Franklyn Jenifer. The original campus plan of 1971 has been substantially built out and the campus continues to experience substantial growth pressures. The plan was prepared with an assumed period of growth and change that would, by 2027, result in a student body that is double its present size from

12,500 to 25,000. The goal of this campus master plan is to facilitate the development of the buildings, streets, infrastructure, and landscaping of the built environment that supports the mission and strategic intent of U. T. Dallas.

Discussion at meeting:

Mr. Managan provided a PowerPoint presentation on the Campus Master Plan Update 2003 (Pages 6.1 - 6.16), which is on file in the Office of the Board of Regents. He said there has been a conscious effort by the City of Richardson, the county, and the state to improve access from the George Bush Freeway and the major roads to the north and west to relieve the pressure, and there have been significant improvements.

Regent Estrada asked if the intent is to add additional housing in the same cluster as current housing.

Mr. Managan responded yes and that the proposal is this would be the next and perhaps last increment of on-campus housing for this generation.

Regent Krier asked if they were proposing closing a major road on campus.

Mr. Managan responded yes and that the pedestrian traffic needs to be given prominence there and the cars need to be removed off that particular road.

Regent Krier said we have closed that road and U. T. Austin has closed Speedway, which is the major north/south street through its campus, and yet the Board just approved building a new road for the U. T. San Antonio campus. Is this something that will have to be decided on a campus-by-campus and road-by-road basis or are we getting into closing and opening?

Mr. Sanders said that if you examine the campuses, they are all fairly consistent and, since the concept is having a core academic campus and having the traffic encircle it, with the services/parking structures on the periphery, what happens as campuses grow is that you have to look for the opportunities to close some of those roads that were originally ring roads years or decades ago and then replan them outward.

Regent Krier mentioned the North/South Connector Road that is being built on the U. T. San Antonio campus and suggested that President Romo consider how the road being built can be adapted to a pedestrian walkway in the future.

Mr. Sanders said that is a very good point to consider as they plan.

4. **U. T. San Antonio: Academic Building III - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine the Campus Parking Garage, Phase III and increase total project cost**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction
Status: Approved
Motion: Made by Regent Hunt, seconded by Regent Estrada, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. San Antonio Academic Building III.

Project Number: 401-997

CIP Approval and Amendments: February 2000, August 2003

Architecturally or Historically Significant: (Note: Campus Parking Garage, Phase III is before the Board as architecturally significant item; see Item 10 on Page 71.)

Project Delivery Method: Design/Build

Substantial Completion Date: March 2005

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>	<u>Debt Service</u>
	PUF	\$37,332,154	\$37,332,154	
	TRB	\$15,000,000	\$15,000,000	
	RFS	\$ 0	\$ 9,450,000	\$9,450,000
		\$52,332,154	\$61,782,154	

- Recommendations:**
- a. amend FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine the Campus Parking Garage, Phase III project at U. T. San Antonio with the previously approved Academic Building III; and
 - b. increase the total project cost from \$52,332,154 to \$61,782,154 with additional funding of \$9,450,000 from Revenue Financing System Bond Proceeds.

Previous Board Actions: The Academic Building III project received additional funding approval in February 2000 and design development approval in August 2000. Both projects were approved in the CIP in August 2003.

Project Description:

The Campus Parking Garage, Phase III project will be located immediately adjacent to the Academic Building III site. U. T. San Antonio is requesting that the projects be combined because the design team is already mobilized and understands the design characteristics. In addition, completion of the garage will help mitigate the parking shortage at the site. Design development approval will be presented to the Board at a future date.

* Funding Sources = PUF (Permanent University Fund Bond Proceeds); TRB (Tuition Revenue Bond Proceeds); RFS (Revenue Financing System Bond Proceeds)

- 5. **U. T. San Antonio: Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase) - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase the total project cost; revise the source of funds; appropriate funds and authorize expenditure; and parity debt**

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*

Status: *Approved*

Motion: *Made by Regent Hunt, seconded by Regent Estrada, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. San Antonio Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase).

Project Number: 401-030

CIP Approval and Amendments: February 2000; August 2003

Architecturally or Historically Significant:

Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2005

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>	<u>Debt Service</u>
	PUF	\$54,000,000	\$54,000,000	
	TRB	\$22,950,000	\$22,950,000	
	Gifts	\$12,750,000	\$ 6,750,000	
	RFS	\$ 0	\$ 7,500,000	\$7,500,000
		\$89,700,000	\$91,200,000	

Debt Service: The debt will be repaid from U. T. San Antonio's indirect cost recoveries. The annual debt service on the \$7,500,000 in Revenue Financing System Bond Proceeds is projected to be \$653,844. The debt service coverage for the project is expected to be at least 1.78 times.

- Recommendations:**
- a. increase total project cost by \$1,500,000 from \$89,700,000 to \$91,200,000;
 - b. revise source of funds;
 - c. appropriate funds and authorize expenditure of \$7,500,000 from Revenue Financing System Bond Proceeds; and
 - d. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

Previous Board Actions: The Facilities Planning and Construction Committee designated the project as architecturally significant in January 2001. The project received design development approval at \$83,700,000 in May 2002. In August 2003, the total project cost was increased to \$89,700,000.

Project Description: The West Campus Wet Lab phase of the project is a part of the Biotechnology, Sciences and Engineering Building at U. T. San Antonio. The new phase will contain 20,000 gross square feet adjacent to the Biotechnology, Sciences and Engineering Building and will house the wet lab research laboratory that includes 12 biology labs. The increase of \$1,500,000 is the result of finalizing the West Campus Wet Lab project scope.

* Funding Sources = PUF (Permanent University Fund Bond Proceeds); TRB (Tuition Revenue Bond Proceeds); RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

A representative from FKP Architects provided a presentation on the U. T. San Antonio Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase) project.

6. U. T. Tyler: Student Apartments - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction
Status: Approved
Motion: Made by Regent Estrada, seconded by Regent Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations listed below for the U. T. Tyler Student Apartments to:

Project Number: 802-171

CIP Approval and Amendments: August 2003

Architecturally or Historically Significant: Yes No

Project Delivery Method: Design/Build

Substantial Completion Date: July 2004

Total Project Cost:	<u>Source*</u> RFS	<u>Proposed</u> \$7,200,000
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Debt Service: The \$7,200,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the Student Apartments project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times.

Recommendations:

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;

- c. approve total project cost;
- d. appropriate funds and authorize expenditure of funds; and
- e. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

Project Description:

The Student Apartments project at U. T. Tyler will contain two three-story wood frame structures and a single-story, 2,000 gross square foot community building. The total gross square feet for the project is approximately 77,500. The apartment structures will accommodate a mix of four-bedroom and two-bedroom suites for housing approximately 184 students, a resident director, and 14 resident advisors.

A single-story community building will accommodate the director's offices, game room, television area, kitchen, and mailboxes. Outdoor recreation amenities are included in the project. The project is located on approximately seven acres of wooded land near the western edge of the campus and is adjacent to the existing University Pines Apartment complex. The project includes a perimeter security fence, parking for all residents, and landscaping.

Enrollment expansion and enhanced character of student life on campus require housing for upper- and lower-division students. This apartment style housing will be the first housing project to be directly managed by U. T. Tyler and is needed to support the continued growth at U. T. Tyler.

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. Board of Regents as part of the design development presentation.

* Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

A representative of Gideontoal architects provided a presentation on the U. T. Tyler Student Apartments project.

Chairman Huffines noted that this is the first student housing owned by the U. T. Tyler campus.

Mr. Sanders said the economic impact of the project is estimated at \$40 million total. He said an alternate energy analysis was done, reviewed by himself and the Engineering staff, and determined not economically feasible.

Regent Clements asked how much money is being spent to meet the alternative energy mandate each time? Mr. Sanders said the alternate energy analysis is a standard part of the mechanical engineering analysis of the project, and there is no additional cost for the studies. There is a little additional work, but it is a worthwhile discipline and some of the options can quickly be triaged so time is cut on energy analysis.

- 7. **U. T. Tyler: Student Dormitory and Academic Excellence Center - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt**

Committee Meeting Information
Presenter(s): <i>Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction</i>
Status: <i>Approved</i>
Motion: <i>Made by Regent Estrada, seconded by Regent Clements, and carried unanimously</i>

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations listed below for the U. T. Tyler Student Dormitory and Academic Excellence Center:

Project Number: 802-166

CIP Approval and Amendments: August 2003

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2005

Total Project Cost:	<u>Source*</u>	<u>Proposed</u>
	RFS	\$ 8,000,000
	Gifts	\$ 3,000,000
		\$11,000,000

- Recommendations:**
- a. approve design development plans;
 - b. approve the evaluation of alternative energy economic feasibility;
 - c. approve total project cost;
 - d. appropriate funds and authorize expenditure of funds; and
 - e. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

Debt Service: The \$8,000,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the Student Dormitory and Academic Excellence Center project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.4 times.

Project Description: The Student Dormitory and Academic Excellence Center at U. T. Tyler will be constructed in multiple wings in a compact building configuration. The dormitory will provide living and learning spaces for approximately 200 students. The facility will consist of a four-story, 58,456 gross square foot building and will include dormitory rooms, lounge areas, centralized laundry facility and kitchen, and offices for dormitory staff. The Academic Excellence Center will consist of a one-story, 12,829 gross square foot building with a large meeting room and smaller breakout rooms and will be connected on the first floor to the dormitory.

Enrollment expansion and enhanced character of student life on campus require housing for freshman and sophomore students. This dormitory will be the first dormitory project to be directly managed by U. T. Tyler and is needed to support the continued growth at U. T. Tyler.

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. Board of Regents as part of the design development presentation.

* Funding Source = RFS (Revenue Financing System Bond Proceeds)

Discussion at meeting:

A representative from Architecture Demarest provided a presentation on the U. T. Tyler Student Dormitory and Academic Excellence Center project.

8. **U. T. Medical Branch - Galveston: BSL-4 Laboratory Facility - Honorific Naming of Facility as the John Sealy Pavilion for Infectious Diseases Research and Honorific Naming of Laboratory as the Robert E. Shope Laboratory (Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction

Status: Approved

Motion: Made by Regent Hunt, seconded by Regent Estrada, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, the Vice Chancellor for External Relations, and President Stobo that the U. T. Board of Regents:

- a. approve the naming of the BSL-4 Laboratory Facility project at U. T. Medical Branch - Galveston as the John Sealy Pavilion for Infectious Diseases Research; and
- b. approve the naming of the laboratory of the BSL-4 Laboratory Facility as the Robert E. Shope Laboratory.

BACKGROUND INFORMATION

The BSL-4 Laboratory Facility at U. T. Medical Branch - Galveston consists of a three-story addition to the existing Keiller Building as well as some renovation work within the building to accommodate the addition. The combination of new work and renovation work will be approximately 12,000 gross square feet. Biosafety level-4 (BSL-4) containment laboratories are technically advanced facilities built with proven construction and engineering technologies to provide a safe environment for the researcher and minimize hazards to the outside environments.

The naming of the John Sealy Pavilion for Infectious Diseases Research will recognize the commitment and the significant contribution of \$7,500,000 by the Sealy & Smith Foundation toward the \$15,500,000 total project cost.

U. T. Medical Branch - Galveston's program in tropical and emerging infectious diseases flourished with the recruitment of Dr. Robert E. Shope, John D. Dunn Professor of Biodefense in the Department of Pathology and the Center for Biodefense and Emerging Infectious Diseases. Dr. Shope is a legend in his field and is revered by scientists from around the world. He has a vast lifetime of experience of conducting cutting-edge research on some of the world's most dangerous viruses. Dr. Shope has led a multidisciplinary team of U. T. Medical Branch scientists seeking to develop countermeasures for the Defense Advanced Research Projects Agency (DARPA) for viruses bioterrorists might employ.

Dr. Shope has served the infectious diseases community, graduate students, academic colleagues, and the nation with humility and distinction for his entire career. The naming of the BSL-4 laboratory as the Robert E. Shope Laboratory will recognize Dr. Shope's outstanding contributions to infectious diseases research at the University.

These namings are consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.2 and institutional guidelines on the naming of facilities, which allow naming for a current employee in unusual circumstances.

9. **U. T. Health Science Center - Houston: Recreation Center Reconstruction - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriate funds and authorize expenditure**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. Health Science Center - Houston Recreation Center Reconstruction.

CIP Approval and Amendments: May 2001

Architecturally or Historically Significant:

Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: August 2004

Total Project Cost:	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	Insurance Proceeds	\$3,000,000	\$3,341,000
	Aux. Ent. Bal.		\$1,259,000
			\$4,600,000

Recommendations:

- increase the total project cost from \$3,000,000 to \$4,600,000; and
- appropriate funds and authorize expenditure of \$1,259,000 from Auxiliary Enterprise Balances and \$341,000 from Insurance Proceeds.

Previous Board Actions: In May 2001, the project was authorized for inclusion in the CIP; authorized for institutional management; and funds were appropriated.

Project Description:

The design development plans were approved in August 2001. The additional funding of \$341,000 from Insurance Proceeds and \$1,259,000 from Auxiliary Enterprise Balances is required to fund reconstruction not covered by insurance, including structural upgrades from wood frame to structural steel, slab demolition, site work, and ongoing temporary facilities.

* Funding Source = Aux. Ent. Bal. (Auxiliary Enterprise Balances)

10. **U. T. System: Consideration of architecturally significant projects**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction

Status: Approval of one project to be designated as architecturally significant -- U. T. Austin Biomedical Engineering Building. U. T. Dallas Natural Science and Engineering Research Building was not officially designated as architecturally significant.

Motion: Made, seconded, and carried unanimously

Future Action: Chairman Huffines appointed Regents Clements and Estrada to the institutional Architect Selection Advisory Committee for the U. T. Dallas Natural Science and Engineering Research Building as project not designated as architecturally or historically significant. Appointments to be made for the U. T. Austin Biomedical Engineering Building.

Agenda Item:

RECOMMENDATION

It is recommended that the Committee review the following projects scheduled for architectural selection for possible designation as architecturally significant according to the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.3:

- **U. T. Arlington – Student Apartments**
Project Cost: \$14,357,000
Anticipated Delivery Method: Design/Build
- **U. T. Austin – Nueces Garage**
Project Cost: \$20,500,000
Anticipated Delivery Method: Design/Build
- **U. T. Austin – Biomedical Engineering Building**
Project Cost: \$25,000,000
Anticipated Delivery Method: Design/Build

- **U. T. Dallas – Center for BrainHealth**
 Project Cost: \$5,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals
 (see Item 11 on Page 43 of the Agenda Book)
- **U. T. Dallas – Natural Science and Engineering Research Building**
 Project Cost: \$85,000,000
 Anticipated Delivery Method: Construction Manager at Risk
 (see Item 12 on Page 43 of the Agenda Book)
- **U. T. El Paso – Parking Garage ID#, P-4**
 Project Cost: \$25,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. Permian Basin – Student Housing Phase III**
 Project Cost: \$6,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. San Antonio – Campus Parking Garage, Phase I**
 Project Cost: \$11,250,000
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. San Antonio – Campus Parking Garage, Phase III**
 Project Cost: \$9,450,000
 Anticipated Delivery Method: Competitive Sealed Proposals
 (see Item 4 on Page 64 of the Agenda Book)
- **U. T. San Antonio – East Campus Building, Phase I**
 Project Cost: \$75,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals
 (see Item 14 on Page 46 of the Agenda Book)
- **U. T. San Antonio – East Campus Thermal Energy Plant**
 Project Cost: \$5,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals
 (see Item 15 on Page 47 of the Agenda Book)
- **U. T. Health Science Center – San Antonio – Medical Integrated Plaza**
 (feasibility and planning only)
 Project Cost: \$300,000
 Anticipated Delivery Method: N/A
 (see Item 3 on Page 55 of the Agenda Book)
- **U. T. M. D. Anderson Cancer Center – Bastrop Facility Strategic Plan**
 Project Cost: \$9,000,000
 Anticipated Delivery Method: Competitive Sealed Proposals

Discussion at meeting:

Chairman Huffines asked the Committee to consider declaring the U. T. Austin Biomedical Engineering Building as architecturally significant, and Mr. Sanders provided a brief overview. The building will be located in the heart of the main campus, across the street from Student Services at the corner of University Avenue and Dean Keeton.

President Faulkner said there was a large amount of student interest, and it is a high-activity area. There are plans to tear down the old student health center and to consolidate life sciences in this region since it is near to the Medical Science Institute and include the College of Natural Science and the College of Engineering operations as part of a quad.

Due to the high visibility of the building for the campus and its place as a cornerstone of a new quad, Chairman Huffines recommended that the Committee declare the Biomedical Engineering Building as architecturally significant. Regent Clements agreed, and the motion passed unanimously.

Regent Clements suggested possible declaration of the U. T. Dallas Natural Science and Engineering Research Building and the U. T. San Antonio East Campus Building, Phase I as architecturally significant.

Mr. Sanders said that he is concerned about the timeframe for the Natural Science and Engineering Research Building project because there are a lot of expectations and it has been a challenge to get the project moving because there are so many pieces that have to be simultaneously worked out and put together -- the General Land Office contracting, getting the design rolling, and the funding established.

Chairman Huffines agreed that it is a very significant building and a cornerstone at U. T. Dallas and he named two committee members, Regents Clements and Estrada, to report back at the next committee meeting.

Mr. Sanders suggested having representation on the selection committee but not having to come back and report at the next meeting, and Chairman Huffines agreed to an informal process due to time constraints.

11. **U. T. System: Historically Underutilized Businesses (HUB) Report and Update on Bonding and Technical Assistance program**

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*

Status: *Reported*

Agenda Item:

Mr. Sanders will speak to the quarterly report on Historically Underutilized Businesses (HUB) for building construction for the U. T. System and will give an update on the Bonding and Technical Assistance program as set forth below.

REPORT

The total expenditures for Building Construction and Other Facilities by the Office of Facilities Planning and Construction through the fourth quarter of Fiscal Year 2003 was approximately \$532,524,000. Of that amount, 16.28% was paid to Certified Historically Underutilized Businesses, 0.84% was paid to Graduated Historically Underutilized Businesses, and Noncertified Historically Underutilized Businesses received 6.49%, for a total of 23.61% or approximately \$125,730,000.

By comparison in Fiscal Year 2002, 10.10% was paid to Certified Historically Underutilized Businesses, 1.23% was paid to Graduated Historically Underutilized Businesses, and Noncertified Historically Underutilized Businesses received 11.40%, for a total of 22.73% or approximately \$76,777,000. This information will be included in the U. T. System Administration HUB Report to the State.

The mission of the Bonding and Technical Assistance program (BTA) is to assist minority- and women-owned businesses to build business capacity and to successfully compete for work on the U. T. M. D. Anderson Cancer Center Ambulatory Clinical Building, as well as other U. T. System projects. These services to assist minority- and women-owned businesses include the following:

- General Business Management – Business plans, implementation and action planning, organizational structuring, market analysis, market plan development, sales analysis, and operations assessments;

- Financial Administration – Financial accounting, cost accounting, loan packaging, financial planning, job costing, work in progress reporting, payroll administration, and tax reporting;
- Technical Assistance – Identifying bid opportunities, understanding blueprints and contractor specifications, estimating, bid preparation, scheduling, safety, and project management; and
- Bonding and Insurance – Bond application preparation or review, market individual contractors to sureties, and monitor contractor performance.

The BTA expansion was initiated February 18, 2003, by negotiating a contract extension with Grijalva & Allen, PC consultants to include two additional projects of U. T. M. D. Anderson Cancer Center Cancer Prevention Building and the U. T. Health Science Center - Houston Institute of Molecular Medicine. These projects were added to the scope of work with Grijalva & Allen who committed to provide additional services on a third project at no additional cost to the campus.

Discussion at meeting:

Chairman Huffines said he was very pleased with this report and, as he said last quarter, we do an excellent job and probably lead the entire state and state agencies in our percentages.

ADJOURNMENT

Chairman Huffines announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 5:05 p.m.

MINUTES
U. T. Board of Regents
Student, Faculty, and Staff Campus Life Committee
November 12, 2003

The members of the Student, Faculty, and Staff Campus Life Committee of the Board of Regents of The University of Texas System convened at 1:10 p.m. on Wednesday, November 12, 2003, in the Caribbean Room of the MCM Elegante Hotel, 5200 East University Boulevard, Odessa, Texas, with the following members of the committee in attendance:

Chairman Craven, presiding
Regent Clements
Regent Estrada
Regent Hunt

Also present was Counsel and Secretary Frederick.

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

1. U. T. Permian Basin: Overview of Campus Life at U. T. Permian Basin

<i>Committee Meeting Information</i>

<i>Presenter(s):</i> <i>President Watts</i> <i>Status:</i> <i>Reported</i>

Agenda Item:

REPORT

Dr. David Watts, President, will provide an overview of campus life at U. T. Permian Basin. A PowerPoint presentation is attached on Pages 75.1 - 75.10 of the Agenda Book.

Dr. Watts' report is the first in a series of campus life presentations that will be made at the Student, Faculty, and Staff Student Campus Life Committee meetings.

2. U. T. System: Social Security Numbers Task Force Update - Report on new Business Procedures Memorandum

Committee Meeting Information

Presenter(s): Ms. Mayne
Status: Reported

Agenda Item:

REPORT

Ms. Florence Mayne, Assistant Vice Chancellor for Administration and System Administration Compliance Officer, will provide a final report on the strategies and recommendations of the U. T. System-wide Social Security Numbers Task Force. A draft of a proposed Business Procedures Memorandum regarding Protecting the Confidentiality of Social Security Numbers is attached on Pages 76.1 - 76.2 of the Agenda Book.

3. U. T. System: Report on the status of the Management and Leadership Development Program

Committee Meeting Information

Presenter(s): Mr. Stewart
Status: Reported
Future Actions:

- 1) Regent Craven noted that the Employee Advisory Council asked to keep issues related to minorities and women in focus;
- 2) Per Regent Krier, have LBJ School send book of summaries of classes to components re Management Leadership Development Program; and
- 3) Student, Faculty, and Employee Advisory Councils to provide feedback on operational efficiencies and ways to reward employees nonmonetarily for such.

Agenda Item:

REPORT

Mr. Dan Stewart, Executive Director of Benefits Administration, will provide an update on the U. T. System Administration Management and Leadership Development Program (MLDP). His presentation will include:

- a. evaluation/assessment of Class One of the MLDP;
- b. comparison of curriculum/projects/participants in Class One and Class Two;

- c. Class Three eligibility criteria; and
- d. the future of the Management and Leadership Development Program.

Discussion at meeting:

Mr. Stewart said the MLDP program started one year ago after looking at corporations in Dallas. Training has been provided by the LBJ School of Public Affairs at U. T. Austin. He said the program is inclusive. Class 2, composed of 19 administrators, just graduated and the consensus is that a group project provided a higher level of collaboration (as first suggested by Chancellor Yudof) versus individual projects as done with Class 1. The Executive Committee will be scheduling Class 3, which will be the final class, and learning from similar programs at the component institutions. Three options for the future of the program are being considered:

1. *Develop a "how-to" manual and disseminate the manual to interested component institutions.*
2. *Incorporate a component institution internship module where a U. T. System employee would spend time at a component institution.*
3. *Formation of a Chancellor's leadership group consisting of highly talented employees from U. T. System Administration as well as component institutions.*

Regent Krier commended Dr. Craven for bringing the idea for this program to the U. T. System. She asked if there is a book about the substantive information conveyed to the classes. Mr. Stewart responded that the LBJ School does have a curriculum for each class and that a summary could be provided to component institutions. In response to an expressed need for management training for medical staff, Mr. Stewart offered to raise the subject with the Faculty Advisory Council at their next meeting.

There was discussion about having the Student, Faculty, and Employee Advisory Councils provide feedback on operational efficiencies and ways to reward employees nonmonetarily.

ADJOURNMENT

Chairman Craven announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 2:00 p.m.