

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

August 11, 2004

Houston, 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>

/s/ Francie A. Frederick
Counsel and Secretary to the Board
November 9, 2004

SCHEDULE OF EVENTS
 Board of Regents' Meeting
 August 11-12, 2004
 Houston, Texas

U. T. M. D. Anderson Cancer Center, R. Lee Clark Clinic, 1515 Holcombe Boulevard, 713/792-6000

Executive Session: Wiess Conference Room, Rose Zone, 11th Floor

Board Open Session: Frank E. Anderson Conference Hall, Rose Zone, 11th Floor

Reception and Dinner: Albert B. and Margaret M. Alkek Hospital, The Park, 2nd Floor

Hotel: Houston Marriott Hotel, 6580 Fannin Street, 713/796-0080

Wednesday, August 11, 2004

9:00 a.m.	Transportation to U. T. M. D. Anderson Cancer Center Campus
9:30 a.m.	Convene in Open Session for discussion of Executive Compensation Philosophy
9:45 a.m.	Recess to Executive Session
11:45 a.m.	Working Lunch (Board Members and U. T. Staff involved in Executive Session) [Note: No general group lunch is planned.]
12:25 p.m.	Reconvene in Open Session and Recess for Committee Meetings
12:30 p.m.	Health Affairs Committee
1:45 p.m.	Academic Affairs Committee
2:45 p.m.	Finance and Planning Committee
4:00 p.m.	Facilities Planning and Construction Committee
5:00 p.m. approx.	Recess and Transportation to Marriott Hotel
5:30 p.m. - 6:45 p.m.	Continuous transportation to U. T. M. D. Anderson Cancer Center Campus for Reception and Dinner
6:00 p.m.	Reception (Business Attire)
7:00 p.m.	Dinner
8:30 p.m. approx.	Transportation to Marriott Hotel

Thursday, August 12, 2004

7:30 a.m. approx.	Transportation from Marriott Hotel to U. T. M. D. Anderson Cancer Center Campus
8:00 a.m.	Reconvene in Open Session for General Board Meeting
10:15 a.m. approx.	Adjourn

Notes:

- The Student, Faculty, and Staff Campus Life Committee will not meet in August.
- The Audit, Compliance, and Management Review Committee will be rescheduled to a later date.
- U. T. Police Officers will meet Regents in the hotel lobby for transportation to the campus and dinner.
- Continuous group transportation (leaving on the hour and half/hour) between the Marriott Hotel and U. T. M. D. Anderson Cancer Center will be available beginning on Wednesday at 8:30 a.m. and Thursday at 7:00 a.m. The buses will depart from the hotel parking garage located outside of the lobby.
- U. T. M. D. Anderson staff will be available on campus to provide directions to the meeting rooms and dinner.

MINUTES
U. T. Board of Regents
Finance and Planning Committee
August 11, 2004

The members of the Finance and Planning Committee of the Board of Regents of The University of Texas System convened at 2:45 p.m. on Wednesday, August 11, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, at U. T. M. D. Anderson Cancer Center, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following members of the committee in attendance and absent:

Attendance

Vice-Chairman Hunt, presiding
Vice-Chairman Krier
Regent Barnhill
Regent Rowling

Absent

Regent Caven

Also present were Chairman Huffines, Vice-Chairman Clements, Regent Craven, Regent Estrada (for Items 3-9), 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. 118

Committee Meeting Information

Not on agenda for Committee meeting

Agenda Item:

RECOMMENDATION

It is recommended that Docket No. 118, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

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

2. U. T. System: Monthly Financial Report

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Reported

Future Action: Future reports will include percentages in addition to absolute numbers.

Agenda Item:

The Monthly Financial Report has been prepared since 1990 to track the financial results of the U. T. System institutions. The June Monthly Financial Report representing the operating results of the U. T. System institutions follows on Pages 26.1 - 26.25 of the Agenda Book.

REPORT

The Monthly Financial Report compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year both in terms of dollars and percentages.

Discussion at meeting:

Assistant Vice Chancellor Wallace reported a \$244.7 million positive margin excluding realized and unrealized gains from the first 10 months of the fiscal year, an 87% improvement from last year. He said all institutions showed positive operating results with the exception of U. T. Dallas, U. T. Permian Basin, and U. T. Medical Branch - Galveston. Mr. Wallace reported U. T. Dallas had a year-to-date net loss of \$1.5 million due to decreased State appropriations and increased appreciation expense. He said U. T. Dallas has sufficient reserves, so the deficit is not a concern and the institution should have a balanced margin next year. U. T. Permian Basin had a year-to-date loss of \$712,000 due to the University's previous goal to reduce the asset reserves by making campus improvements. Mr. Wallace said although U. T. Medical Branch - Galveston has a year-to-date net loss of \$15.5 million, it is a \$10.3 million improvement from the adjusted loss over the same period as last year due to revenue enhancements and expense reductions implemented in 2004.

Committee Chairman Hunt suggested that future summaries include percentages in addition to absolute numbers since budgets vary greatly from institution to institution. He reintroduced Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, and said Dr. Kelley is the contact for issues related to the Finance and Planning Committee and to business affairs.

3. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Approved

Motion: Made, seconded, and carried with Vice-Chairman Krier requesting to be shown present, but not voting

Future Actions:

1. Chairman Huffines asked that consideration be given to include staff and faculty breakdown in the future.
2. Vice-Chairman Krier asked where the numbers came from and asked for review and possible changes to legislative caps so "real" numbers can be provided next year for this item.
3. Vice-Chairman Krier requested that Academic Affairs look at small classes.

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the affected U. T. System component institutions that the U. T. Board of Regents approve allowing those institutions, as set forth in the table on Page 4, to exceed the number of full-time equivalent (FTE) employees for Fiscal Year 2005 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.14 of the General Appropriations Act, it is recommended that the U. T. Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. In order to exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

U. T. Southwestern Medical Center - Dallas plans to request approval from the Board to acquire St. Paul and Zale Lipshy University Hospitals (see Item 5 on Page 73 of the Agenda Book). The FTE increase is for the employees necessary to operate these hospitals should the hospitals be acquired. Should the Board not approve this acquisition, U. T. Southwestern Medical Center - Dallas will be under the FTE limitations and will not be requesting to exceed the FTE limitation. U. T. System Administration will be under the FTE limitation and is not requesting to exceed the FTE limitation.

**The University of Texas System
REQUESTS TO EXCEED
FULL-TIME EQUIVALENT LIMITATION
Fiscal Year 2005**

<u>Component</u>	Requested FTE Increase*	Major Reasons for Request
U. T. Arlington	116.3	To provide faculty and staff needed to achieve goals outlined in the Texas Higher Education Coordinating Board's Closing the Gaps program
U. T. Brownsville	530.5	The FTE cap in the Appropriations Act does not include staff associated with Texas Southmost College. This request is a technical adjustment to the Appropriations Act.
U. T. Dallas	30.0	To provide faculty associated with increasing student enrollment
U. T. El Paso	180.1	To meet demand of enrollment growth
U. T. Pan American	38.2	To meet demand of enrollment growth and the expansion of academic programs
U. T. Permian Basin	22.0	To meet enrollment goals, growth, and ensure quality instruction for students
U. T. San Antonio	178.0	To meet demand of enrollment growth and continue efforts to increase total semester credit hours taught by tenured faculty
U. T. Southwestern Medical Center - Dallas	2,200.0	This represents the employees necessary to operate St. Paul and Zale Lipshy University Hospitals if approved for acquisition by the Board of Regents.
U. T. M. D. Anderson Cancer Center	882.0	To continue to provide the standard of care and services to an increasing number of patients and improve the capacity to deliver cancer care. To provide support for patient care, instruction, and research.

*Educational and General Funds are the source of funding for these increases. U. T. M. D. Anderson Cancer Center and U. T. Southwestern Medical Center - Dallas will also use Patient Income as a source of funds.

Discussion at meeting:

Assistant Vice Chancellor Wallace said this is a routine item that addresses a rider in the General Appropriations Act requiring the Board to request permission to exceed the limitation on FTEs hired or paid from appropriated funds. He reported that U. T. Brownsville, U. T. Southwestern Medical Center - Dallas, and U. T. M. D. Anderson Cancer Center have the three largest requests. Mr. Wallace explained the purpose of these requests: (1) U. T. Brownsville's request is related to a technical adjustment that involves staff at Texas Southmost College not included in the Appropriations Act, (2) U. T. Southwestern Medical Center - Dallas has a contingency request for employees necessary to operate St. Paul and Zale Lipshy University Hospitals if acquisition is approved by the U. T. Board of Regents (for acquisition approval, see Item 5 on Page 27 of the Health Affairs Committee Minutes), and (3) U. T. M. D. Anderson Cancer Center's request is due to increasing patient volumes not anticipated in the last Appropriations Bill. He said for the most part, the remaining requests were related to meeting enrollment goals and growth and are primarily to provide faculty.

In response to a request from Chairman Huffines to show the correlation between the hiring of more faculty and tuition increases, Mr. Wallace said a faculty and staff breakdown could be included in the future. Mr. Huffines expressed concern about requesting additional faculty in light of the number of small classes reported to the Board (see Small Class Reports included in Docket No. 118 of the Agenda Book) and asked if there was a more efficient way to handle. Chancellor Yudof said small classes are not necessarily a bad idea, citing graduate classes and undergraduate seminars as examples, but said a careful look would be taken on this issue and data will be obtained to see if changes are needed. Chancellor Yudof said ceilings are set by the Legislature that may need to be straightened out in the future. He added that although he wants U. T. System to be in compliance, staff, advisors, admissions officers, financial aid counselors, and other services are critically needed for students. Committee Chairman Hunt summarized by saying this is a productivity issue and needs to be a part of an institutionalized process.

Vice-Chairman Krier said Academic Affairs would be glad to work with the presidents to review class sizes. She said there seems to be some contradiction between presentation of this item as a "routine" request and the desire to comply with the legislative limits given that U. T. System is seeking thousands of additional FTEs. Chancellor Yudof clarified that this item is routine in that the need for additional FTEs is brought to the Board each year. Vice-Chairman Krier reiterated Chancellor Yudof's suggestion that this might be a good time to have Vice Chancellor Smith find out how the numbers are determined and whether the legislative process can be impacted. She indicated she was sensitive to the fact that the Governor, the Lieutenant Governor, the Speaker of the House, and the Legislative Budget Board have to sign off on the requests and wondered whether they view these requests as routine. Mr. Wallace said FTE increases are typically not accounted for due to lag time between reporting the previous year's FTE figures and the time appropriations are increased. He added that the FTE cap is probably more pertinent to regular state agencies rather than institutions of higher education. Vice-Chairman

Krier said she did not object to approval of this item with the understanding that Vice Chancellor Smith would work with the legislature on changes to the caps so U. T. System does not need to continue to submit requests to exceed FTE limitations.

4. U. T. Board of Regents: Report on Investments for quarter ended May 31, 2004, and Performance Report by Ennis Knupp + Associates

Committee Meeting Information

Presenter(s): Mr. Boldt, Mr. Steve Voss

Status: Reported

Future Actions: Mr. Aldridge is to work on delivery of a four-page report to the Board on Ennis Knupp's performance report.

Agenda Item:

REPORTS

Pages 29.1 - 29.7 of the Agenda Book contain the Summary Reports on Investments for the three months ended May 31, 2004.

Item I on Pages 29.1 - 29.2 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 negative 1.39%. The PUF's net investment return for the 12 months ended May 31, 2004, was 20.03%. The PUF's net asset value decreased by \$220.9 million since the beginning of the quarter to \$7,998.0 million. This change in net asset value includes an increase due to contributions from PUF land receipts, a decrease in net investment return, and a decrease for the payment of one-half of the PUF's annual distribution in the amount of \$174,016,788.

Item II on Pages 29.3 - 29.5 of the Agenda Book reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and the Long Term Fund (LTF). The GEF's net investment return for the three months was negative 1.37%. The GEF's net investment return for the 12 months ended May 31, 2004, was 20.24%. The GEF's net asset value decreased \$75.9 million since the beginning of the quarter to \$4,168.6 million.

Item III on Page 29.6 of the Agenda Book reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was negative .77% for the three months. The SITF's net asset value increased by \$83.0 million since the beginning of the quarter to \$1,189.2 million. This net increase in net asset value includes contributions from the SITF less distributions.

Item IV on Page 29.7 of the Agenda Book presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$201.2 million to \$2,476.2 million during

the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$56.0 million versus \$286.7 million at the beginning of the period; equities: \$308.8 million versus \$210.5 million at the beginning of the period; and other investments: \$2.2 million versus \$6.2 million at the beginning of the period.

An Executive Summary of the Performance Report on investments for the quarter ended May 31, 2004, as prepared by Ennis Knupp + Associates is attached on Pages 29.8 - 29.14 of the Agenda Book.

Discussion at meeting:

The University of Texas Investment Management Company (UTIMCO) President, Chief Executive Officer, and Chief Investment Officer Boldt said the information in the Agenda Book was through May and he provided updates through June. He said June was a positive month following the negative three-month report included in the Agenda Book. He reported the PUF was up 1.31% at the end of June with assets of \$8.113 billion, the GEF was up 1.29% with assets of \$4.284 billion, and the SITF was up 0.2% with a slight increase in assets. Total assets under the management of UTIMCO at the end of June were \$16.314 billion. Mr. Boldt said the market environment is likely to be difficult and volatile until after the election and will result in a portfolio change. He cited two defensive moves: (1) additional funds were moved from the U.S. equity market to the fixed income market, most notably in Treasury Inflation Protected Securities (TIPS), and (2) the cash position was increased to dampen volatility and to allow flexibility to make advantageous purchases should the opportunity arise. Mr. Boldt reported in the quarter ending June, over \$150 million was received from the private capital program -- the largest distribution ever received in a three-month period -- but indicated only \$70 million of that was able to be invested. He said the hedge fund portfolio will be the most attractive area in a tough market environment. Mr. Boldt noted an increase in PUF lands receipts from \$102 million to \$118 million for the first three quarters of this year.

Mr. Steve Voss of Ennis Knupp + Associates noted that as a result of recommendations from the UTIMCO Working Group to the U. T. Board of Regents on April 29, 2004, a new streamlined report was prepared focusing on four key areas: (1) the change in market value of the different assets, (2) performance, (3) policy compliance, and (4) investment objectives. He welcomed further suggestions on ways to improve the report. Mr. Voss summarized highlights under the four areas and noted there were several new investment strategies added to the funds during the past quarter.

Chairman Huffines asked if numbers were available for the end of July regarding compliance with the asset allocation portion of the investment policy and Committee Chairman Hunt responded that venture capital was out of compliance due to the slowness of the process since so much diligence is involved. Mr. Boldt said that preliminary numbers indicate there is 3% less in nondeveloped U.S. equities and emerging market equities and there has been a risk control decision to limit

exposure in developing markets due to the current volatility of the market. He added that the numbers were close to the policy weight although exact numbers were not available.

In response to an inquiry by Regent Rowling, Mr. Voss said that venture capital and hedge fund data is obtained from information received by UTIMCO from its managers and custodians and the data is not independently verified. Mr. Boldt added that UTIMCO relies on its general partners for venture capital information, but selective valuations are verified for individual companies and a similar spot checking process is applied to hedge funds. Regent Rowling asked if the figures included in the Agenda Book were valued based on cost or based on what the cost is today, and Mr. Boldt responded that they are a combination of both. He said the venture portfolio is likely undervalued and the private equity portfolio is likely fairly close.

Committee Chairman Hunt commented that performance figures for the 5 and 10-year returns reflect a difference from the GEF and PUF, but a constitutional change in 1999 allowing the PUF to be managed as a total return will result in the disappearance of those differences. He asked Ennis Knupp to look at performance in comparison to peers -- other higher education endowments -- in addition to performance against policy benchmarks.

Mr. Boldt mentioned that although UTIMCO is not in partnership with venture portfolios that own Google, the market is watching closely what is happening. He indicated Google will likely be a successful offering and could be the largest return the venture capital industry has ever had with an 800 times initial investment return. Chairman Huffines asked if the venture benchmark will be distorted as a result and Mr. Boldt confirmed that it would. In response to an inquiry by Vice-Chairman Clements, Mr. Boldt said that UTIMCO is not in the partnerships that own Google because they generally do not allow public entities as partners with the exception of the University of California. Committee Chairman Hunt said Stanford University's endowment is similar to the U. T. System's in size and Mr. Boldt said Stanford will benefit tremendously from Google and its gain could be as much as \$500 million to \$1 billion.

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

Committee Meeting Information
Presenter(s): Mr. Aldridge
Status: Reported

Agenda Item:

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, 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 May 31, 2004, the market value of the PUF was \$8.0 billion compared to \$8.2 billion as of February 29, 2004 (Figure A on Page 30.1 of the Agenda Book). During Fiscal Year 2005, \$341.2 million will be distributed to the AUF, compared to \$348 million in Fiscal Year 2004 (Figure B on Page 30.2 of the Agenda Book). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006 and are not projected to be capped due to constitutional purchasing power restrictions.

Incorporating both the updated PUF distribution forecast and the new debt structure as a result of the PUF Bonds, Series 2004A&B transaction, there is an estimated \$308 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 30.3 of the Agenda Book). This PUF debt capacity incorporates the impacts of the proposed \$100 million Library, Equipment, Repair and Rehabilitation (LERR) appropriation for Fiscal Year 2005 and using up to \$60 million of AUF balances to cash defease outstanding PUF debt, similar to cash defeasance transactions previously approved by the Board. (See Item 4 on Page 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 D on Page 30.4 of the Agenda Book).

Discussion at meeting:

Associate Vice Chancellor for Finance Aldridge said this is an informational item to update the Finance and Planning Committee on the status of the PUF, particularly with regard to debt capacity. He reminded the Committee there are two primary debt programs: (1) the Revenue Financing System, secured by all legally available revenue and balances, and (2) the PUF Debt Program, secured by distributions from the PUF to the AUF. Mr. Aldridge summarized changes in the forecasted distributions from the PUF to the AUF and the impact on the remaining PUF debt capacity. He noted the 12-quarter trailing average is rising for the first time in a while due to an increase in capital markets and the outperformance of the PUF and said an increase of \$13.0 million in PUF distributions is projected for next year.

Committee Chairman Hunt commented that Figures A-D (on Pages 30.1 - 30.4 of the Agenda Book) represent a very good snapshot of the PUF debt and distribution capacity and added he would like to see a similar summary prepared for the Ennis Knupp + Associates report on investment performance.

Regent Barnhill asked how the 8.36% investment return was determined and Mr. Aldridge explained that the 8.36% is the weighted average based on the target returns for asset classes. The University of Texas Investment Management Company (UTIMCO) President, Chief Executive Officer, and Chief Investment Officer Boldt clarified that the figure is a projection based on an asset allocation review and the 8.36% is the portfolio policy weighted result of the individual returns for those asset classes. In response to a question by Chancellor Yudof, Mr. Aldridge said

a higher interest rate assumption was used in determining the 8.36% investment return and Mr. Boldt said the 8.36% return assumes a 3% inflation rate. Committee Chairman Hunt clarified that historical correlations between asset classes are used in projecting returns. Executive Vice Chancellor Kelley explained that as interest rates on debt go up, so will returns, particularly with the ability to exercise variable debt.

6. U. T. Board of Regents: Adoption of Fourteenth Supplemental Resolution; authorization to complete all related transactions; and resolution of parity debt

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made by Vice-Chairman Krier, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

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

- a. adopt the Fourteenth Supplemental Resolution to the Master Resolution, substantially in the standard form approved by the Board of Regents on November 13, 2003, 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 \$650,000,000 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 Fourteenth 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 with the recommendation of the Executive 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 resolve 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.

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 13 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 Fourteenth 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. The Chairman of the Board of Regents and the Chairman of the Finance and Planning Committee will be informed of any proposed transactions to be undertaken pursuant to the Resolution.

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:

- \$3,605,000 of the RFS Bonds, Series 1998A maturing 2014-2018
- \$56,185,000 of RFS Bonds, Series 1998B maturing 2008 and 2012-2018
- \$3,365,000 of the RFS Bonds, Series 1998C maturing 2019
- \$39,725,000 of RFS Bonds, Series 2001B maturing 2020-2022
- \$18,770,000 of RFS Bonds, Series 2001C maturing 2020-2022.

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.

The proposed Fourteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The Fourteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement are in substantially the same form as the Thirteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement approved by the Board on November 13, 2003, for use as standard agreements. These documents have not been included as part of the agenda materials, but are available upon request.

Discussion at meeting:

Associate Vice Chancellor for Finance Aldridge said this item asks for authorization to issue up to \$650 million of Revenue Financing System debt in Fiscal Year 2005. He reminded the Board that this would authorize issuance of bonds for projects that have received final approval from the Board of Regents and from the Coordinating Board, and the bonds would be approved by the Bond Review Board and the Attorney General's Office. Mr. Aldridge said approval was also being requested

to issue debt with either natural or synthetic fixed rate debt in conformance with the swap and debt policies previously approved by the Board. He added that pre-approval by the Board would allow flexibility to refund existing debt should interest rates drop.

7. U. T. System: Approval of aggregate amount of equipment financing for Fiscal Year 2005 and resolution of parity debt

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made by Regent Barnhill, seconded by Vice-Chairman Krier, and carried unanimously

Agenda Item:

RECOMMENDATION

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

- a. approve an aggregate amount of \$86,360,000 of Revenue Financing System Equipment Financing as allocated to those U. T. System component institutions set out on Page 35 of the Agenda Book;
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that:
 - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System;
 - 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 tax-exempt parity debt in the aggregate amount of \$86,360,000 for the purchase of equipment; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations, that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

At the April 14, 1994 meeting, the U. T. Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This agenda item requests approval of an aggregate amount of \$86,360,000 for equipment financing. Of this amount, \$85,850,000 represents equipment financing for Fiscal Year 2005. The remaining \$510,000 represents equipment financing expected to occur during Fiscal Year 2004.

The Board approved \$80,929,000 of equipment financing in Fiscal Year 2004, of which \$41,892,000 has been issued through June 30, 2004.

Further details on the equipment to be financed and debt coverage ratios for individual components can be found on Page 35 of the Agenda Book.

Discussion at meeting:

Associate Vice Chancellor for Finance Aldridge reminded the Board that this is an annual approach taken to use a commercial paper program to finance equipment purchases in lieu of vendor financing at higher rates. He said debt is amortized and paid off over a period of 3-10 years. Mr. Aldridge said preapproval allows the institutions to meet equipment needs throughout the fiscal year, sometimes on very short notice. He pointed out the table on Page 35 of the Agenda Book that provides amounts by institution and debt service coverages, and noted the finding of fact that states each institution has the ability to repay the debt and that all institutions meet minimum standards for issuance of debt.

8. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2005

Committee Meeting Information

Presenter(s): Mr. Stewart, Mr. Morris

Status: Approved

Motion: Made by Vice-Chairman Krier on condition that verification is made that no statute locks an institution into the higher rate, but rather is an annual determination by a campus when deciding its budget; seconded by Regent Barnhill; and carried unanimously [Note: No change was made to the recommendation presented to the Board on August 12, 2004.]

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Administration that the U. T. Board of Regents approve the Optional Retirement Program (ORP) employer contribution rates for Fiscal Year 2005, as recommended by each institution as follows:

For all component institutions and System Administration with respect to employees who participated in the ORP prior to September 1, 1995, an employer contribution rate of 8.5%.

For all other employees, an employer contribution rate as set forth by institution below:

<u>Component Institution</u>	<u>Employer Contribution Rate</u>
The University of Texas at Arlington	6.0 percent
The University of Texas at Austin	6.0 percent
The University of Texas at Brownsville	6.0 percent
The University of Texas at Dallas	6.0 percent
The University of Texas at El Paso	6.0 percent
The University of Texas - Pan American	6.0 percent
The University of Texas of the Permian Basin	8.5 percent
The University of Texas at San Antonio	8.5 percent
The University of Texas at Tyler	6.0 percent
The University of Texas Southwestern Medical Center at Dallas	6.0 percent
The University of Texas Medical Branch at Galveston	8.5 percent
The University of Texas Health Science Center at Houston	6.0 percent
The University of Texas Health Science Center at San Antonio	6.0 percent
The University of Texas M. D. Anderson Cancer Center	8.5 percent
The University of Texas Health Center at Tyler	8.5 percent
The University of Texas System Administration	8.5 percent

BACKGROUND INFORMATION

Prior to September 1, 1995, the ORP employer contribution rate was 8.5% for all ORP participants. An enactment by the 74th Texas Legislature reduced ORP employer contributions to participants from 8.5% to 6.0%, effective September 1, 1995. However, U. T. System was permitted to "grandfather" those employees participating in the ORP during the 1994-95 biennium. This resulted in a two-tiered ORP employer contribution rate for U. T. System employees: those who participated in ORP during the 1994-95 biennium continued to receive 8.5%, while those who did not participate during the 1994-95 biennium received 6.0%.

The 78th Texas Legislature enacted Texas Government Code Section 830.2015, which expanded the definition of a grandfathered employee from one who had participated during the 1994-95 biennium to one who had participated in ORP prior to September 1, 1995. The legislation also granted permissive authority for institutions of higher education to set the ORP employer contribution rate for grandfathered and nongrandfathered participants at any percentage level between 6.0% and 8.5%. It is not required that the rate be the same for grandfathered employees, nor that the rate be the same for all U. T. component institutions.

Given the diversity of the U. T. System component institutions, and the differential budget impact for each institution, it was determined that each component institution should propose its own ORP employer contribution rates for grandfathered and nongrandfathered participants. For grandfathered employees hired prior to September 1, 1995, all U. T. System component institutions elected to continue the current 8.5% employer contribution rate. For nongrandfathered participants hired after September 1, 1995, six component institutions (including U. T. System Administration) elected to increase the ORP employer contribution rate from 6.0% to 8.5%, while the remaining ten campuses elected to continue the 6% employer contribution rate.

The governing board of an institution of higher education has the authority to set the ORP employer contribution rates in accordance with rules issued by the Texas Higher Education Coordinating Board. Under those rules, the governing board is to determine the employer contribution rates once per fiscal year, to be effective for the entire fiscal year.

Discussion at meeting:

Mr. Daniel N. Stewart, Executive Director of Employee Group Benefits, said the purpose of this Agenda Item was to take advantage of H.B. 264, 78th Texas Legislature, which granted authority to adjust ORP contribution rates. He said this would be a benefit enhancement for employees and in time, retirees. Mr. Stewart briefly summarized the history of ORP contribution rates and said H.B. 264 allows permissive authority to bring the rate back up from 6.0% to 8.5%. He indicated six U. T. System institutions have indicated a desire to participate at the 8.5% rate and the total cost would be approximately \$5 million.

Chairman Huffines said he was supportive of the institutions making the decision whether to increase the rate, but thinks consideration and discussion is needed related to those institutions showing negative operating margins that are opting for the increase. Committee Chairman Hunt said the purpose of the bill was to give the institutions flexibility to move between cash and compensation, but welcomed discussion on whether this was a budget issue or a compensation flexibility issue. Mr. Stewart said he thought this was a compensation issue to enhance benefits in order to attract and maintain employees.

Vice-Chairman Krier pointed out the inconsistency in the different numbers across the board and asked if an institution would be legally required to stay at the higher rate. Mr. Stewart replied that there was flexibility between 6.0-8.5% and an adjustment was permissible on an institution-by-institution basis dependent upon the institution's needs. In response to a question by Vice-Chairman Krier, Committee Chairman Hunt said rates could vary between employees at a particular institution depending on the rate at the time they were hired.

Committee Chairman Hunt asked what process was used to determine the rates. Mr. Brett Morris, Associate Director of Human Resources, replied that each of the institutions was surveyed since several institutions had expressed a desire to take advantage of H.B. 264 for recruitment and retention purposes. He explained that grandfathered employees participating prior to September 1, 1995, receive the 8.5% rate and employees hired after that date receive the 6.0% rate. Mr. Stewart clarified that employees of those institutions opting for the increased rate who are currently receiving the 6.0% rate would begin receiving the higher rate.

Chancellor Yudof said the presidents are responsible for managing their own budgets and if they opt for the higher rate in order to compete for personnel, they may need to cut expenses somewhere else. Presidents Stobo, Calhoun, and Watts indicated they opted for the higher rate to be competitive in the marketplace. Executive Vice Chancellor Shine emphasized that the benefits package will be critical to recruiting faculty. He suggested considering a comparative study of benefits packages around the country the next time a compensation study is initiated. Committee Chairman Hunt commented that because U. T. System is a decentralized system, it was appropriate for the presidents to make decisions at this level.

President Wildenthal commented that he did not opt to increase the rate for U. T. Southwestern Medical Center - Dallas because it would have been a \$2 million expenditure and Mr. Hunt said they had the flexibility to increase in the future. Chairman Huffines said it was confusing to the Board since the institutions opting and not opting for the increased rate cited the need to be competitive. Committee Chairman Hunt suggested a possible alternative that the Board could approve the flexibility for all institutions to increase to the 8.5% rate and let each institution make its own decision. President Faulkner agreed with this approach noting that U. T. Austin may want to use this benefit in the future as an alternative to salary increases. Mr. Stewart said the essence of the Agenda Item was to allow any institution to move to the 8.5% rate and confirmed that no additional Board approval

would be needed if the other institutions wished to increase later. Counsel and Secretary Frederick said the recommendation could be revised subject to staff checking the Coordinating Board Rules to ensure that flexibility was allowed. Mr. Morris clarified that current Coordinating Board Rules allow a governing board to make this decision prior to a fiscal year, so approval at this time would only apply to the six institutions opting for the increased rate.

Committee Chairman Hunt entertained a motion to allow all institutions to increase to 8.5%, but to go back to the existing motion if it is determined that this will not work. In response to a question from Vice-Chairman Krier, Assistant Vice Chancellor Wallace said the cost would be \$13.9 million if all 15 institutions increased to 8.5% and Mr. Stewart restated that the cost would be \$5 million for the six institutions that requested the increased rate.

Chancellor Yudof said there may be philosophical differences among the presidents so he was reluctant to impose the increase on all institutions. Mr. Stewart said additional research is needed to clarify whether subsequent changes to the rates would need to come before the Board. Committee Chairman Hunt agreed and entertained a motion for approval to increase the rates at the six institutions as laid out in the Agenda Item. Vice-Chairman Krier made the motion contingent upon verification that no statute locks an institution into the higher rate, but rather is an annual determination by a campus when deciding its budget. [Note: No change was made to the recommendation presented to the Board on August 12, 2004.]

9. **U. T. System: Authorization to establish a deferred compensation plan under Internal Revenue Code Section 457(b), to delegate authority to administer the plan, and to authorize conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' Rules and Regulations**

Committee Meeting Information

Presenter(s): Mr. Stewart

Status: Approved

Motion: Made by Regent Rowling, seconded by Regent Barnhill, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Administration that the Board of Regents authorize the establishment of a voluntary deferred compensation plan pursuant to Internal Revenue Code Section 457(b) for all employees of the U. T. System Administration and U. T. institutions, to be known as UTSaver.

It is further recommended that the Board delegate to the Vice Chancellor for Administration the authority for the administration of UTSaver and the power to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and maintain the plan, consistent with State and federal law.

Further, it is recommended that the Counsel and Secretary to the Board be authorized to make conforming changes to the Regents' Rules and Regulations to reference the plan and the delegation to the Vice Chancellor for Administration.

BACKGROUND INFORMATION

This agenda item was deferred from the May 2004 Finance and Planning Committee meeting of the Board of Regents. Additional information regarding UTSaver was distributed to members of the Finance and Planning Committee via a memorandum dated June 18, 2004, for their consideration and comment.

In 2003, the 78th Texas Legislature, Regular Session, enacted Senate Bill 1652, codified as Texas Government Code Section 609.701 et seq. One provision of Chapter 609 authorizes an institution of higher education to establish a deferred compensation plan for its employees pursuant to Internal Revenue Code Section 457(b).

The State legislation followed the enactment of federal legislation known as the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001, which changed existing law and created an additional retirement savings opportunity for public employees. Prior to the enactment of EGTRRA, contributions to a voluntary 403(b) tax-sheltered annuity program and a voluntary 457(b) deferred compensation retirement savings program were subject to coordinated limits. This resulted in one contribution limit for both programs. EGTRRA repealed the coordinated limits for 403(b) and 457(b) programs thereby providing a separate contribution limit for each program for years beginning after December 31, 2001.

Prior to the enactment of Senate Bill 1652, the only 457(b) plan option available to U. T. System employees was the deferred compensation plan provided by the Employees Retirement System of Texas known as TexaSaver. Senate Bill 1652 authorizes U. T. System to establish its own deferred compensation plan for employees.

A U. T. System 457(b) plan offers greater convenience to participants through benefits consolidation, while utilizing a proven business model that offers a number of vendors with a variety of investment products meeting cost and quality standards. Offering accessible, well-designed, cost-effective retirement savings plans enables U. T. employees to plan for their future welfare and serves as a recruitment and retention tool for U. T. institutions in today's competitive market. The proposed name for the plan is UTSaver.

The purpose of the UTSaver deferred compensation plan is to provide employees who elect to participate in the plan the option to defer taxation on compensation subject to federal contribution limits. Employees may elect to contribute up to the maximum amount that may be deferred under the plan for the taxable year. The plan will be established pursuant to Texas Government Code Section 609.701 et seq. and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Internal Revenue Code. All contributions to the plan will be employee contributions.

Discussion at meeting:

Mr. Daniel N. Stewart, Executive Director of Employee Group Benefits, said this item is a benefit enhancement for employees and would move administration of the deferred compensation plan from the Employees Retirement System (ERS) to the U. T. System. He referenced a letter from Vice Chancellor Brown outlining some of the advantages of the plan: (1) centralization of benefits administration, (2) improved and expanded employee choice, and (3) minimal cost to U. T. System by using existing resources. Mr. Stewart said current employees would have a choice to remain in the ERS plan so as not to incur early withdrawal penalties imposed by vendors.

Vice-Chairman Krier said she appreciated the additional information sent in response to her concerns following consideration of this item at the May 12, 2004 meeting, and although she voiced a concern that administration of this plan does not fit the U. T. System mission of education, healthcare, and research, said she has no objection to the plan. She indicated ERS wants to have a smooth transition but ERS prefers that individuals not be in both plans. Mr. Stewart said U. T. System would work with ERS on options for employees and proposed that new employees would be under the U. T. System plan and existing employees would have a choice to either stay in the ERS plan or move to the U. T. System plan.

Vice-Chairman Krier asked if Schwab was one of the proposed vendors and Mr. Brett Morris, Associate Director of Human Resources, responded that an interim plan will be proposed until a formal vendor selection process can be implemented. He said the current eight Optional Retirement Program vendors are being considered, but was unsure if any of them use Charles Schwab.

ADJOURNMENT

Committee Chairman Hunt announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 4:00 p.m.

MINUTES
U. T. Board of Regents
Academic Affairs Committee
August 11, 2004

The members of the Academic Affairs Committee of the Board of Regents of The University of Texas System convened at 1:58 p.m. on Wednesday, August 11, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, at U. T. M. D. Anderson Cancer Center, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following members of the committee in attendance and absent:

Attendance

Vice-Chairman Krier, presiding
Regent Craven
Regent Estrada
Regent Rowling

Absent

Regent Caven

Also present were Vice-Chairman Clements, Vice-Chairman Hunt, Regent Barnhill, 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.

U. T. System: Reports from institutional presidents

Committee Meeting Information

Presenter(s): Presidents of academic institutions

Status: Reported

Future Action: Consider adding this caption as the first Agenda Item for each Academic Affairs Committee meeting.

Additional Agenda Item (An Agenda Item was not included in the Agenda Book, but the caption was posted with the Secretary of State):

REPORT

Committee Chairman Krier opened the Academic Affairs Committee meeting by asking presidents to take a minute or two to report some good news from their respective campuses. She first asked President García for a report on U. T. Brownsville.

President García said U. T. Brownsville has been actively trying to become more involved in the communities that surround the university. This kind of work is usually done as an extra without any resources to make that happen, President García explained, but U. T. Brownsville has received a grant for about \$586,000 to assist grass root and community-based organizations to increase their effectiveness, to

provide social services, and to better serve those in need. This grant comes from the U.S. President's Compassion Capital Fund, and U. T. Brownsville is the only university in Texas to receive one of these grants. President García said U. T. Brownsville has used part of the grant to restore an historical building in a neighborhood adjacent to the university. Chairman Krier congratulated President García and said the Committee will look forward to hearing more about the results from this grant in the future.

President Faulkner reported two pieces of good news about U. T. Austin. First, he mentioned that U. T. Austin was the "hottest" state university according to the recently published piece by Kaplan/Newsweek entitled "How to Get into College Guide". More significantly, President Faulkner also reported that the National Science Foundation recently released its annual list of federal grant support for research, and that in the category of universities without medical centers, U. T. Austin is now second only to Massachusetts Institute of Technology.

President Natalicio announced that U. T. El Paso was celebrating its 90th anniversary this year. She said a centennial commission will be launched on October 7 and expressed her hope that the Regents could be present on that occasion. President Natalicio also noted that U. T. El Paso is working with volunteers in the community, students, and alumni to envision where they would like to be by 2014, which is the 100th anniversary of the institution.

In addition, President Natalicio mentioned two noteworthy grants in the area of education that U. T. El Paso received recently. She said the Department of Education awarded a grant for \$750,000 to prepare teachers for teaching English as a Second Language and bilingual literacy. Another noteworthy grant was awarded through the Texas Education Agency. This \$650,000 grant, President Natalicio explained, is to establish a training program in West Texas for adult literacy. President Natalicio mentioned that one faculty member with a specialty in adult literacy has done a tremendous amount of work teaching adults to read. Adult literacy, she said, was particularly important for recent immigrants who need to learn to read and to speak English.

U. T. Permian Basin President Watts reported completion of construction of the replication of Stonehenge. He said only the special lighting and landscaping remain to be installed. President Watts also reported that the previous week U. T. Permian Basin had the official opening of a new Export Assistance Center sponsored by the Department of Commerce located in the Center for Energy and Economic Diversification.

President Mabry reported that U. T. Tyler is among the top for the master's level of universities in Texas; and at the top among public universities in the West. In addition, President Mabry announced that U. T. Tyler received a check for over \$700,000 from the Coordinating Board for the 73% nursing enrollment increase

when U. T. Tyler opened the new building last fall. However, President Mabry also expressed concern that the Coordinating Board is recommending a change in the formula funding for nursing so that it is possible that these funds will be taken back this year.

President Romo of U. T. San Antonio reported that 75 newly-hired faculty members will start in Fall 2004, including five full professors who were previously affiliated with other prestigious universities. President Romo also announced that U. T. San Antonio just received a grant from the National Science Foundation to prepare science and math teachers through the College of Science. President Romo explained that this grant matches an existing grant and starting in September, U. T. San Antonio will have \$1.1 million in scholarship money for students who want to study math and science.

U. T. Pan American President Nevárez first noted that President-Elect Cárdenas has already garnered a lot of support from the University and the community at large. He then commended the Regents, the U. T. System, and the search committee on the excellent process that resulted in Dr. Cárdenas becoming the next president of U. T. Pan American.

President Nevárez went on to discuss the work U. T. Pan American has done with high-risk, low-income students. He explained that U. T. Pan American received one of the highest Gear-Up grants in the country -- \$28 million over five years. He said the third year of that grant has just been completed. The sustainability of that program has long been a concern, according to President Nevárez, so he was pleased to report that U. T. Pan American had just received a five-year performance-based award through the Michael and Susan Dell Foundation to support the continuation of the program.

President Nevárez said the Dell Foundation gave U. T. Pan American \$465,000 this year with a one-third match with the public schools to support this effort. Next year President Nevárez said there will be over a million dollars with the Dell Foundation commitment. Over a five-year period it will be \$3-\$3.25 million. So through the support of the Dell Foundation, a wider access to a college education will be sustained. This grant is performance-based, President Nevárez explained, so evaluation depends on the number of students recruited. He expressed hope that the great work of the Gear-Up program nationwide will continue and become institutionalized in the high schools. Committee Chairman Krier suggested that this will assist to "close the gaps."

President-Elect Cárdenas said the transition has been excellent, and commended Dr. Nevárez for his leadership. She also thanked the Board and the selection committee and the show of support from many people.

President Jenifer of U. T. Dallas first noted how much he and others at U. T. Dallas enjoyed and appreciated the recent visit of Regent Barnhill to the campus. In addition, President Jenifer said Kiplinger's Report and Reader's Digest recently ranked U. T. Dallas in the top 50 of all public colleges in terms of best value for the cost, and that the audiology program was ranked sixth in the nation. He noted that U. T. Dallas received this recognition despite the tuition increase.

U. T. Arlington President Spaniolo said 45 new tenure-track faculty members will start this fall. He noted that the new tuition increase dollars were used to hire these faculty members on a very rapid timetable, and that it was very exciting for the university. A number of the new faculty members were particularly remarkable hires, he said. U. T. Arlington, for example, lured an endowed chair away from Illinois to become chair of the Mechanical Engineering Department. The recruitment of both junior and senior faculty members across the board will make a real addition to the academic strengths, offerings, and research of U. T. Arlington, he explained.

Vice-Chairman Krier thanked President Spaniolo for mentioning how money from the tuition increase was being used and noted that it was an important follow-up. She also observed that all of this good news from the institutions explained why so many students were so eager to attend a university in the U. T. System.

1. **U. T. Austin: Approval of Changes to the Coordinated Admissions Program (formerly Off-Campus Provisional Admissions Program)**

Committee Meeting Information

Presenter(s): President Faulkner

Status: Approved

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, President Faulkner, and the Faculty Council of U. T. Austin that the U. T. Board of Regents approve changes to the admissions policies at U. T. Austin. Specifically, modifications are proposed to the Coordinated Admissions Program (CAP), primarily to strengthen the freshman year course and grade point average requirements for students who enroll in the program.

Under CAP, a Texas resident high school graduate applying for freshman admission who is not offered regular admission to U. T. Austin is given the opportunity to attend one of the other U. T. System general academic institutions cooperating in the program to complete certain minimum requirements during the freshman year. The current requirements are that during the freshman year the student complete

30 semester hours of prescribed coursework with a 3.0 minimum grade point average and that the coursework be taken during the fall and spring semesters (and mini-semester during the summer at selected campuses) immediately following high school graduation. If the student successfully completes these requirements, he or she is guaranteed the opportunity to transfer to U. T. Austin at the beginning of the sophomore year. A successful CAP student also may elect to remain at the campus at which he or she completed the freshman year. A CAP student who does not successfully complete the minimum requirements for guaranteed transfer to U. T. Austin may remain at the freshman year campus if in good academic standing.

The recommended modifications, to be in effect for freshman applicants applying for admission for the 2005 Fall Semester, are:

- The minimum grade point average requirement for the prescribed thirty (30) semester credit hours of coursework will be 3.2 rather than 3.0.
- A mathematics course beyond Math 301 (college algebra) will be required as part of the prescribed thirty (30) semester credit hours of coursework.
- Short semester courses may not be counted in the prescribed thirty (30) semester credit hours of coursework.
- Applicants offered admission into CAP must accept by a June 1 deadline rather than the current July 1 deadline.
- The other U. T. System institutions participating in CAP need accept for participation only those applicants offered CAP who meet the regular minimum admission requirements of the respective component.

These program modifications are designed to help improve the quality of the students enrolling in CAP and to provide enhanced transfer enrollment management at U. T. Austin.

BACKGROUND INFORMATION

The U. T. Austin Coordinated Admissions Program (CAP) was approved by the U. T. Board of Regents on November 16, 2000. (At the time of approval, the program was referred to as an Off-Campus Provisional Admissions Program and it replaced the former Summer Provisional Admissions Program at U. T. Austin. Subsequent to Board approval, the name of the program was changed to the Coordinated Admissions Program.) The current CAP requirements are those originally approved.

When President Faulkner recommended CAP to the U. T. Board of Regents in 2000, he also adopted the suggestion of the U. T. Faculty Council that the program be evaluated within three years of its implementation. Thus, the U. T. Austin Office of Admissions and the U. T. Austin Admissions and Registration Committee conducted the program review during the 2003-2004 academic year. The review was very helpful and an annual review will be performed in the future. The recommended program modifications resulted from the third-year review.

The review shows that, in general, CAP students who enroll at U. T. Austin are doing well academically. The mean grade point average for those CAP students in the 2001-2002 cohort after one year at U. T. Austin was 2.6. This matches that of those students who began U. T. Austin in Summer 2001 as regular freshman admits for the summer. The mean grade point average was 2.83 after one year at U. T. Austin for students who began U. T. Austin in the Fall Semester 2001 as regular freshman admits for the fall and who were not in the top 10% of the high school graduating class. The corresponding mean grade point average for those who had been in the top 10% of their graduating class was 3.10.

The review also shows that CAP has become increasingly attractive. The first year in which students participated in CAP was 2001 – 2002. For that year, U. T. Austin offered CAP to 2,084 applicants. 476 accepted the offer and attended other U. T. System components to complete the freshman program requirements. 182 of those 476 transferred to U. T. Austin after the freshman year. For 2002-2003, 800 of the 3,387 applicants offered CAP asked to enroll in the program. 326 of those transferred under CAP to begin the sophomore year at U. T. Austin. For 2003-2004, 1,751 of the 6,256 applicants offered CAP asked to enroll in the program. 873 of the 1,751 are expected to enroll as sophomores at U. T. Austin in the fall. There is a need to place some limits on the growth of the program as part of the overall enrollment management plan at U. T. Austin. The number of transfer applicants that can be accepted each year is limited.

U. T. Austin desires to have a healthy mix among the transfer cohort -- made up of CAP transfers, community college transfers, and transfers from other four-year institutions. Most of the community college and four-year institution transfers admitted for the 2004 Fall Semester applied with a grade point average of at least 3.7.

The recommended changes will enhance CAP student preparation and participation and also contribute to enrollment management. CAP has been a successful cooperative venture among U. T. Austin and the other U. T. System participants. (All of the general academic institutions participate except U. T. Dallas and U. T. Tyler, although U. T. Tyler is joining the program.) CAP will continue to provide all Texas resident high school applicants with an opportunity to earn enrollment at U. T. Austin while at the same time bringing some to U. T. System campuses that they otherwise might not have attended.

Discussion at meeting:

Committee Chairman Krier said President Faulkner has been working with the other campuses to refine the plans for the CAP program, and has brought forward amendments for consideration. President Faulkner gave a brief history of the program and summarized the proposed changes. He said the proposed changes will give tighter control to students who come back to Austin through the program. In addition, the proposed changes will give off-site campuses latitude to match students being admitted directly. He said more students are offered CAP each year.

Committee Chairman Krier asked about the number of CAP students who would not have been admitted if higher GPAs had been in place. President Faulkner said those numbers were known, but he did not have them in front of him at the moment. Chairman Krier clarified that the amendments to CAP would raise the GPA from 3.0 to 3.2; require a math course that was not previously required; require an earlier acceptance date; and eliminate short semester courses. Chairman Krier then asked why the short semester courses were being eliminated.

President Faulkner said there is support for the short semester courses in general, but added that CAP students need to demonstrate they can carry a full load and maintain the qualifying GPA. According to President Faulkner, the amendments to CAP will couple the qualifying requirement with the need to match up the load.

Chairman Krier inquired about whether the Coordinating Board required a one-year notice. President Faulkner said Ms. Patricia Ohlendorf, Vice President for Institutional Relations and Legal Affairs at U. T. Austin, does not believe a one-year notice is required on the basic CAP aspects. However, he noted that if institutions want to change their admission requirements, then there may be a one-year advance notice requirement. He said this situation needs to be reviewed.

**2. U. T. Brownsville: Wellness, Recreation and Fitness Complex-
Amendment of FY 2004-2009 Capital Improvement Program and the
FY 2004-2005 Capital Budget to include project**

Committee Meeting Information

Presenter(s): President García

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 Executive Vice Chancellor for Business Affairs, and President García 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 Wellness, Recreation and Fitness Complex at U. T. Brownsville as follows:

Architecturally or Historically Significant:

Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: August 2007

Total Project Cost: Source
Revenue Financing System Bond Proceeds \$12,500,000

Project Description

The Wellness, Recreation and Fitness Complex at U. T. Brownsville will enable students to gather in an environment which will emphasize exercise, athletics, and a healthy lifestyle. This facility will further develop the on-campus student experience. The facility will contain a gymnasium, weight rooms, cardio rooms, rooms for aerobics and dance, and sports fields. Although yet to be programmed, this facility should contain approximately 50,000 gross square feet. In March 2004, the students voted to assess themselves a fee to fund the project.

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:

President García said students at U. T. Brownsville had been very enthusiastic about trying to get this referendum passed. While the average voter turnout nationally on a campus of this kind is about 4%, she said this referendum had a turnout of about 26.5%, with voting 75% for and 25% against. President García said students learned to take a position and to debate an issue so that the referendum brought a lot of good things in addition to the new wellness and recreation center. Students are also at the table assisting in deciding the design of the building. So far 20 architectural proposals have been submitted and about 10 of them seem to be very solid, she added.

3. U. T. El Paso: Authorization to establish a Ph.D. in Computer Science

Committee Meeting Information

Presenter(s): *President Natalicio*

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 Natalicio that authorization be granted to establish a Ph.D. in Computer Science degree program at U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

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

BACKGROUND INFORMATION

Program Description

This proposal involves creating a separate Ph.D. program in Computer Science from the existing interdisciplinary Ph.D. program in Computer Engineering. The existing program, jointly administered by the Departments of Computer Science and Electrical and Computer Engineering, has evolved since its establishment toward two distinct emphases: computer science and computer engineering. The creation of the proposed program will make it easier to recruit students and to enhance research activities in both departments.

Program Quality

The proposed program will be supported by the faculty and staff who support the current interdisciplinary Ph.D. program. The U. T. El Paso Department of Computer Science faculty maintains a consistent record of scholarly accomplishment and research activity. They are principal investigators and co-principal investigators on current grants and gifts totaling over \$18 million.

Program Cost

There are no new costs associated with the proposed program.

Discussion at meeting:

President Natalicio said this proposal reflects the growth and development of a Ph.D. program that U. T. El Paso has offered for years in computer engineering and computer science -- a department that has about \$18 million in current grant funding. The time has come, she said, to separate the hardware and software programs. The computer and electrical engineering program will be one program and a separate doctoral program in computer science proposed. President Natalicio said this program will meet the needs of a growing demand from students -- particularly Latino students. She explained that there are only five Hispanic-serving institutions in the United States that offer a Ph.D. in computer science and two of those are in Puerto Rico. President Natalicio noted there are only 15 Hispanic Ph.D.s granted each year, and that a majority of those are awarded in Puerto Rico. For these reasons, President Natalicio suggested this proposal is an opportunity to change the demographic profile of Ph.D.s in computer science. She said there is still a long way to go, however, and U. T. El Paso, U. T. San Antonio, and Florida International will probably be the more aggressive institutions in this area.

This proposal also responds to the "Closing the Gaps" mandate to create vertically-integrated opportunities for Latino students. Moreover, President Natalicio noted that this proposal follows the recommendation of corporate partners such as IBM, which encourages the separate degree to recruit graduates. Further, the Washington Advisory Group Report recommended that these programs be separate, so the proposal is consistent with that as well. No additional costs will be incurred because the faculty is already in place. This program is a natural evolution from where U. T. El Paso began 10 years ago in this area.

4. U. T. El Paso: Authorization to establish a Master of Occupational Therapy degree

Committee Meeting Information

Presenter(s): President Natalicio

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 and President Natalicio that authorization be granted to establish a Master of Occupational Therapy degree program at U. T. El Paso; 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 U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

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

BACKGROUND INFORMATION

Program Description

Beginning in January 2007, the Accreditation Council for Occupational Therapy Education (ACOTE) will no longer accredit occupational therapy education programs below the post graduate level. The proposed program will provide an 82-hour entry-level master's degree that will replace the current baccalaureate program.

Program Quality

The current Occupational Therapy program at U. T. El Paso was highly commended and recently (March 2003) accredited for seven years by ACOTE. ACOTE intends to extend the current accreditation for an additional three years once the newly reorganized master's-level program has been reviewed and approved.

Program Cost

Since the proposed program replaces an existing program, most of the current courses will remain the same. In addition, current faculty will offer all the courses in the proposed program. Therefore, new costs for the program will be negligible; approximately \$1,500 in new library acquisitions.

Discussion at meeting:

President Natalicio said this program responds to an accreditation issue. The Accreditation Council for Occupational Therapy Education has informed U. T. El Paso that occupational therapy programs at the bachelor's level will no longer be accredited. U. T. El Paso is responding to that announcement by raising the occupational therapy program to the master's level. She explained that the occupational therapy program at U. T. El Paso originally developed through a partnership with U. T. Medical Branch - Galveston and once the program was stable and accredited, U. T. Medical Branch - Galveston withdrew.

Chairman Krier inquired about how the credit hours are counted. President Natalicio said as far as she knew, the master's program is 82 hours after admission to the program so that would be a required 82 hours after completion of the two-year core curriculum for pre-occupational therapy.

5. U. T. San Antonio: Authorization to establish a Master of Science and a Ph.D. degree in Physics

Committee Meeting Information

Presenter(s): President Romo, Mr. Dan Bates, Dr. Patrick Nash, and Dr. David McComas

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 and President Romo that authorization be granted to establish Master of Science (M.S.) and Doctor of Philosophy (Ph.D.) degree programs in Physics at U. T. San Antonio; 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 U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the U. T. San Antonio Table of Programs to reflect authorization for the proposed degree programs.

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

U. T. San Antonio proposes to offer the M.S. and Ph.D. degrees in Physics. These programs will be offered by the Department of Physics and Astronomy in the College of Sciences in collaboration with the Space Science and Engineering Division of Southwest Research Institute (SwRI). The programs are designed to prepare graduates to make significant contributions to the evolution of space technologies and research, the nation's biomedical infrastructure, and the rapidly advancing scientific and technological capabilities in the city, region, state, and nation. Students will have the opportunity to participate in a process of development, testing, and integration of instrumentation for space science missions, an area in which the Space Science and Engineering Division at SwRI has played a leading role for decades. Graduates of the proposed programs would be highly marketable in broad fields of research and technology development.

Program Quality

In August 2004, there will be eight tenured or tenure-track faculty members in the Department of Physics and Astronomy who will contribute to the delivery of the program. Two additional faculty members, one at the senior level, will be hired during 2004-2005. Eight researchers from SwRI will participate in the program's delivery. They will be appointed as Adjoint Professors, with all of the rights and responsibilities of U. T. San Antonio tenured or tenure-track faculty except that they will not be eligible for tenure. All faculty members who will participate in the program have excellent research records. A Letter of Agreement will be signed by the authorities at U. T. San Antonio and SwRI to define the legal contract between the two institutions.

Completion of the Biotechnology, Sciences and Engineering Building in the Fall 2005 will increase the amount of laboratory and office space available to the Department of Physics and Astronomy. At SwRI, there are currently a variety of world-class laboratories that will be used to train graduate students. One houses arguably the best existing atomic ion accelerator/space plasma instrument development facility in the world. In addition, it is anticipated that some SwRI facilities will be remodeled into teaching labs or classrooms that can be used to train graduate students.

Program Cost

Estimated expenditures for the first five years of the proposed programs total \$4,710,000. This includes \$270,000 in new faculty salaries and start-up funds, \$165,000 in the contractual arrangement with SwRI for courses taught, \$3,700,000 for graduate assistant and research assistant support, \$405,000 for new lab equipment, \$120,000 for supplies and materials, and \$50,000 for administrative support.

U. T. San Antonio will commit \$1,679,349 in existing institutional resources, \$700,000 from SwRI for student support, and \$2,355,202 in formula funding to finance the first five years of the programs.

Discussion at meeting:

President Romo said this unique program will be offered by the Department of Physics and Astronomy with the collaboration of the Space Science and Engineering Division of the Southwest Research Institute (SwRI) and is the first project of this kind in the State of Texas. President Romo then introduced Mr. Dan Bates, President of SwRI, and Dr. Patrick Nash, Chairman of the Department of Physics at U. T. San Antonio. President Romo asked Mr. Bates to make some remarks about the program.

On behalf of SwRI, Mr. Bates first expressed great support and enthusiasm for this program. He said it was great that two institutions in San Antonio could collaborate and do something so unique. Mr. Bates said SwRI has talented scientists on staff that will be adjunct professors in this program. He also noted that SwRI currently has international grants and programs that will allow graduate students to immediately begin work on meaningful research, which he believes will jump-start the program. Mr. Bates reiterated how he believed this collaborative project was excellent for San Antonio as well as for South Texas. He introduced Dr. David McComas as a scientist with an international reputation who made this program a reality.

Dr. McComas said SwRI is excited about this opportunity. He explained that many scientists at SwRI would like to be teaching, but up until now they have not been able to do so. Dr. McComas said SwRI has a great program and they fly instruments all over the solar system. Just last month, for example, SwRI had an instrument on the spacecraft that went into orbit around Saturn. New data is being received from that instrument, he explained, which SwRI scientists will be working with students to analyze. SwRI has spearheaded whole spacecraft on its own as well, Dr. McComas said. SwRI has a diverse research program, but has not been able to participate in the academic side except for an occasional student who comes in, often from very far away. So putting SwRI research and programs together with U. T. San Antonio's desire to grow a graduate program in physics just seemed to be a good match when discussions started a year ago. He said SwRI and U. T. San Antonio have worked through the details in the last year, and came up with a curriculum. He noted that the curriculum will offer study of building space hardware, which he believes is an area where the leaders for space research will come from in the future. This is a particularly unique opportunity since most universities have gone out of the business of building space hardware and since leadership will likely depend on people who have spearheaded the instrumentation.

Committee Chairman Krier said she understood this collaboration to be the result of one of Chancellor Yudof's early initiatives when he took over as Chancellor. She thanked him for encouraging such public-private sector collaboration. Chancellor Yudof commented on the collaboration of a public/private partnership which combines a substantial research enterprise in the neighborhood with the fine folks at U. T. San Antonio.

6. U. T. San Antonio: Recreation and Wellness Facilities, Phase II – 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 by Regent Estrada, seconded by Regent Rowling, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive 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 Recreation and Wellness Facilities, Phase II project at U. T. San Antonio as follows:

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 83 of the Agenda Book.)

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2007

Total Project Cost: Source
Revenue Financing System Bond Proceeds \$44,000,000

Project Description:

The Recreation and Wellness Facilities, Phase II project at U. T. San Antonio will provide additions to the existing campus Child Development Center, Health Services Center, and Recreation Center.

With enrollment expected to increase, the existing space in the Recreation Center is currently deficient and will become more severe as U. T. San Antonio's population grows. The debt for the Revenue Financing System Bond Proceeds will be repaid from student fees.

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:

President Romo explained that this is an expansion because the Recreation and Wellness facility has turned out to be important to students who are spending more time on campus, sometimes in the classroom and sometimes in the gym. The Recreation and Wellness facilities are full all the time, President Romo explained, so the students voted to have an expansion and voted for \$38 - \$44 million to expand the facilities.

7. U. T. San Antonio: Approval to acquire the leasehold interest in 5.297 acres of land with improvements located at 301 South Frio Street, San Antonio, Bexar County, Texas; authorization to amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include a new Business Technology Center Renovation project; and resolution of parity debt

Committee Meeting Information

Presenter(s): President Romo

Status: Approved

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

Future action: Approval would be sought with the understanding that all needed environmental work on the property would be completed prior to acquisition.

Agenda Item:

RECOMMENDATION

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

- a. appropriate funds and authorize expenditure of \$15 million from Revenue Financing System Bond Proceeds to acquire the leasehold interest in 5.297 acres of land located at 301 South Frio Street, San Antonio, Bexar County, Texas, at a cost of \$8.2 million and renovate the improvements on the real property at a cost of \$6.8 million;
- b. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to include a new project entitled Business Technology Center Renovation;
- c. approve the addition of the Business Technology Center Renovation project to the CIP; and
- d. resolve 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 upon delivery of the Certificate of an Authorized Representative, that parity debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service

Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System;

- U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of parity debt in the aggregate amount of \$15 million; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On May 13, 2004, the U. T. Board of Regents approved acquisition of the leasehold interest in the real property located at 301 South Frio Street, San Antonio, Bexar County, Texas. At that time, the appraisal indicated a value of \$7.3 million. Unfortunately, that appraisal contained an incorrect assumption concerning occupancy of the building. The appraisals that were subsequently obtained as part of the negotiating process indicated values of \$8.1 and \$8.25 million, respectively. Acquisition of the subject property is part of an agreement with the City of San Antonio to expand the Downtown Campus of U. T. San Antonio. Approval of this item will provide financing for the acquisition of the leasehold interest in the real property and renovation of the building through Revenue Financing System debt.

While U. T. San Antonio intends to fully utilize the facility for its own use, it expects that portions of the building will continue being leased to nongovernmental tenants until such spaces are occupied by the institution for its own use. The portion of the building occupied by nongovernmental tenants will be financed on a taxable basis until it can be converted to tax-exempt financing once U. T. San Antonio occupies the space.

Debt service on the \$15 million will be repaid with institutional resources. Annual debt service is projected at \$1,032,081.

Discussion at meeting:

Committee Chairman Krier confirmed that this Agenda Item was an informational item at the last meeting and was now going forward and approval would be sought with the understanding that all needed environmental work on the property would be completed prior to acquisition.

President Romo confirmed this item involves a land swap with the City of San Antonio and future acquisition of a building that has been there for about 25 years. He noted that it is a wonderful opportunity for U. T. San Antonio because the available space is right across from campus. The school of architecture currently leases a building on the property. This building can be renovated to have classrooms and seminar schools so it is working out very well for U. T. San Antonio, President Romo concluded.

ADJOURNMENT

Committee Chairman Krier announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 2:35 p.m.

MINUTES
U. T. Board of Regents
Health Affairs Committee
August 11, 2004

The members of the Health Affairs Committee of the Board of Regents of The University of Texas System convened at 12:50 p.m. on Wednesday, August 11, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, at U. T. M. D. Anderson Cancer Center, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following members of the committee in attendance:

Attendance

Vice-Chairman Clements, presiding
Vice-Chairman Krier
Regent Craven
Regent Rowling

Absent

Regent Caven

Also present was Chairman Huffines, Vice-Chairman Hunt, Regent Barnhill, 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: Adjust the Plan Participant Premium Rate for the U. T. System Professional Medical Liability Benefit Plan Effective September 1, 2004, and Return a Portion of Plan Reserves to Participating U. T. System Health Components**

Committee Meeting Information

Presenter(s): Mr. Mike Godfrey, Vice Chancellor and General Counsel

Status: Approved

Motion: Moved, seconded, and carried unanimously

Follow-up:

- 1) Regent Estrada asked if Dr. Ruiz could be introduced at the Board meeting tomorrow (August 12)*
- 2) Chancellor Yudof might specify health component projects to receive a portion (most likely \$10 million) of \$35 million rebate from the Professional Medical Liability Benefit Plan. The default is that the entire amount will be returned to campuses in September in proportion to premiums paid.*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the faculty and

resident participant premium rates for Fiscal Year 2005 for The University of Texas System Professional Medical Liability Benefit Plan (Plan) be increased by an average of 4% effective September 1, 2004. The proposed premiums reflect a trend in increased claims payment amounts. It is further recommended that \$35 million be returned to the participating U. T. System component institutions. The current and proposed premium rates are set forth in Exhibits 1 and 2 (Pages 51 – 53 of the Agenda Book).

BACKGROUND INFORMATION

Pursuant to the authority of Texas Education Code Section 59.01 et seq., the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain physicians and medical students of the U. T. System. The Plan went into effect on April 1, 1977, and is funded primarily by the payment of premiums from the Faculty Physician Practice Plans of the component health institutions of the U. T. System. It is recommended that the U. T. Board of Regents approve an increase in participant premium rates projected for Fiscal Year 2005 for the Plan year effective September 1, 2004.

Actuaries from Tillinghast-Towers Perrin (Tillinghast), the nation's largest medical liability insurance plan actuarial firm, have reviewed the Plan's 27-year experience and recommend experience-based premiums related to the claims loss of each U. T. System health component. The 78th Legislature passed tort reform measures that will limit the liability for state employed physicians and dentists to \$100,000, and Tillinghast incorporated that statutory change into its premium calculation last fiscal year.

The Plan has reserves above the actuarially projected risks associated with the Plan, and it is recommended that a return of \$35 million, representing a portion of such reserves, be returned to participating U. T. System component institutions, via a formula to be determined by the Chancellor. This will be the eighth consecutive year for a partial return of Plan reserves.

As of August 31, 2003, there were 5,550 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. In addition, approximately 3,332 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 in coverage.

Discussion at meeting:

Vice Chancellor Godfrey reviewed the premium rates. Last year, in response to House Bill 4 (HB 4), premiums were reduced for staff by 50% over what they would have been but for the passage of HB 4. He reviewed how rates are calculated and he explained the five risk categories, saying the lowest risk category is general practitioner and the highest OB/GYN.

Mr. Godfrey reviewed the proposed return of excess reserves of \$35 million, saying there is about \$90 million in reserves and the surplus of \$45-50 million will keep reserves at a level that would have the plan rated a Triple A in the private sector. He said the actuary advises against going lower than that level of reserve. Mr. Godfrey said the number of claims has decreased and is expected to continue to decrease.

Chairman Huffines asked if the increases at U. T. Health Science Center – Houston were due a certain type of practice and Mr. Godfrey responded affirmatively and is also due to the patient mix. In addition, their experience factor (the highest in the U. T. System) bears a larger proportion of premiums. Dr. Shine added that the institution has high number of deliverables, such as OB/GYN.

Vice-Chairman Krier asked if the \$35 million would roll to the next year. Mr. Godfrey responded no, saying that last year, \$50 million was returned directly to the health institutions in part due to the reduced liability from HB 4. He added that Chancellor Yudof had returned an additional \$15 million to the health institutions. Regent Krier asked if the money was earmarked and when the money would be returned. Mr. Godfrey said the money would roll back in September but Chancellor Yudof said he might come back later with a recommendation of funds for special projects at the health institutions. He wanted to leave the door open and would make a recommendation as soon as possible.

The University of Texas System Professional Medical Liability Benefit Plan
Summary of Rates by Risk Class by Health Component

Risk Class 1

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$1,064	\$996	\$1,025	\$959	-3.7%	-3.7%
UT SMC Dallas	988	924	1,019	953	3.1%	3.1%
UTMB Galveston	1,571	1,469	1,675	1,567	6.6%	6.7%
UT HSC Houston	1,480	1,385	1,624	1,519	9.7%	9.7%
UT HSC San Antonio	1,183	1,107	1,214	1,137	2.6%	2.7%
UT HC Tyler	1,384	1,295	1,452	1,358	4.9%	4.9%
UT Austin	1,183	1,107	1,214	1,137	2.6%	2.7%
UT Arlington	1,183	1,107	1,214	1,137	2.6%	2.7%

Risk Class 2

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$1,665	\$1,558	\$1,603	\$1,500	-3.7%	-3.7%
UT SMC Dallas	1,546	1,446	1,594	1,491	3.1%	3.1%
UTMB Galveston	2,458	2,299	2,620	2,453	6.6%	6.7%
UT HSC Houston	2,316	2,168	2,541	2,378	9.7%	9.7%
UT HSC San Antonio	1,851	1,733	1,899	1,780	2.6%	2.7%
UT HC Tyler	2,166	2,027	2,272	2,126	4.9%	4.9%
UT Austin	1,851	1,733	1,899	1,780	2.6%	2.7%
UT Arlington	1,851	1,733	1,899	1,780	2.6%	2.7%

Risk Class 3

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$2,660	\$2,489	\$2,562	\$2,397	-3.7%	-3.7%
UT SMC Dallas	2,469	2,310	2,546	2,382	3.1%	3.1%
UTMB Galveston	3,926	3,672	4,185	3,918	6.6%	6.7%
UT HSC Houston	3,700	3,463	4,059	3,799	9.7%	9.7%
UT HSC San Antonio	2,957	2,768	3,034	2,843	2.6%	2.7%
UT HC Tyler	3,460	3,237	3,630	3,396	4.9%	4.9%
UT Austin	2,957	2,768	3,034	2,843	2.6%	2.7%
UT Arlington	2,957	2,768	3,034	2,843	2.6%	2.7%

Risk Class 4

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$4,948	\$4,629	\$4,765	\$4,458	-3.7%	-3.7%
UT SMC Dallas	4,593	4,297	4,735	4,430	3.1%	3.1%
UTMB Galveston	7,303	6,829	7,785	7,287	6.6%	6.7%
UT HSC Houston	6,882	6,441	7,550	7,066	9.7%	9.7%
UT HSC San Antonio	5,499	5,149	5,642	5,288	2.6%	2.7%
UT HC Tyler	6,435	6,022	6,750	6,317	4.9%	4.9%
UT Austin	5,499	5,149	5,642	5,288	2.6%	2.7%
UT Arlington	5,499	5,149	5,642	5,288	2.6%	2.7%

For easier presentation the premium rates and rate changes shown here have been rounded by Tillinghast-Towers Perrin, the Plan actuary.
 July 2004

The University of Texas System Professional Medical Liability Benefit Plan
Summary of Rates by Risk Class by Health Component

Risk Class 5

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$7,289	\$6,820	\$7,019	\$6,568	-3.7%	-3.7%
UT SMC Dallas	6,766	6,330	6,976	6,526	3.1%	3.1%
UTMB Galveston	10,758	10,061	11,468	10,735	6.6%	6.7%
UT HSC Houston	10,137	9,488	11,120	10,408	9.7%	9.7%
UT HSC San Antonio	8,101	7,586	8,312	7,791	2.6%	2.7%
UT HC Tyler	9,479	8,871	9,943	9,306	4.9%	4.9%
UT Austin	8,101	7,586	8,312	7,791	2.6%	2.7%
UT Arlington	8,101	7,586	8,312	7,791	2.6%	2.7%

All Risk Classes Combined

Health Component (1)	Current Rates As of 9/1/2003		Selected Rates As of 9/1/2004		Rate Change	
	Staff (2)	Resident (3)	Staff (4)	Resident (5)	Staff (6)	Resident (7)
UT Cancer Center	\$2,559	\$3,088	\$2,464	\$2,974	-3.7%	-3.7%
UT SMC Dallas	2,708	2,461	2,792	2,538	3.1%	3.1%
UTMB Galveston	4,265	4,006	4,546	4,274	6.6%	6.7%
UT HSC Houston	3,911	8,392	4,290	9,206	9.7%	9.7%
UT HSC San Antonio	2,794	3,044	2,867	3,127	2.6%	2.7%
UT HC Tyler	2,678	4,061	2,809	4,260	4.9%	4.9%
UT Austin	NA	NA	NA	NA	NA	NA
UT Arlington	NA	NA	NA	NA	NA	NA
Total/Weighted Average	3,127	3,241	3,252	3,370	4.0%	4.0%

Notes:

(2), (3) Current rates as of 9/1/2003.

(4), (5) Based on UT rate review.

(6) = (4) / (2) - 1.000

(7) = (5) / (3) - 1.000

The University of Texas System Professional Medical Liability Benefit Plan
Dental Rates by Health Component

Health Component (1)	Rates as of 9/1/2003		Rates as of 9/1/2004		Rate Change	
	Staff (2)	Residents (3)	Staff (4)	Residents (5)	Staff (6)	Resident (7)
<u>Dentist - NOC (Risk Class A)</u>						
UT Cancer Center	\$372	\$348	\$358	\$335	-3.8%	-3.7%
UT SMC Dallas	346	323	357	333	3.2%	3.1%
UTMB Galveston	550	514	586	548	6.5%	6.6%
UT HSC Houston	518	485	568	532	9.7%	9.7%
UT HSC San Antonio	414	388	425	398	2.7%	2.6%
UT HC Tyler	484	453	508	475	5.0%	4.9%
UT Austin	414	388	425	398	2.7%	2.6%
UT Arlington	414	388	425	398	2.7%	2.6%
<u>Dentist - Oral Surgery (Risk Class B)</u>						
UT Cancer Center	\$1,665	\$1,558	\$1,603	\$1,500	-3.7%	-3.7%
UT SMC Dallas	1,546	1,446	1,594	1,491	3.1%	3.1%
UTMB Galveston	2,458	2,299	2,620	2,453	6.6%	6.7%
UT HSC Houston	2,316	2,168	2,541	2,378	9.7%	9.7%
UT HSC San Antonio	1,851	1,733	1,899	1,780	2.6%	2.7%
UT HC Tyler	2,166	2,027	2,272	2,126	4.9%	4.9%
UT Austin	1,851	1,733	1,899	1,780	2.6%	2.7%
UT Arlington	1,851	1,733	1,899	1,780	2.6%	2.7%

Notes:

(2),(3) Current rates as of 9/1/2003.

(4),(5) Dentist Rates = Physician Class 1 Rates Effective 9/1/2004 x 0.35.

Dentist-Oral Surgery Rates = Physician Class 2 Rates Effective 9/1/2004.

(6) = (4) / (2) - 1.00.

(7) = (5) / (3) - 1.00.

2. U. T. System: Amendments to The University of Texas System Professional Medical Liability Benefit Plan

Committee Meeting Information

Presenter(s): Mr. Mike Godfrey, Vice Chancellor and General Counsel

Status: Approved

Motion: Moved, seconded, and carried unanimously

Follow-up: Leave "medical" and add "and dental" as appropriate throughout the plan if not cross-referenced elsewhere per Vice-Chairman Krier. [Following the meeting, Regent Krier agreed that the definition "liability claims" relates only to claims based on medical and dental care," thus no change was made to the proposed plan.]

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that The University of Texas System Professional Medical Liability Benefit Plan be amended in congressional style on Pages 55 - 70 of the Agenda Book to be effective September 1, 2004.

BACKGROUND INFORMATION

Authority for the establishment of a self-insurance program to indemnify U. T. physicians was granted to the Board of Regents by Senate Bill 391, Acts of the 65th Legislature, effective March 10, 1977 (later codified as Texas Education Code Section 59.01 et seq.). The Plan for Professional Medical Malpractice Self-Insurance was originally approved by the Board of Regents on April 15, 1977. Since the Plan was first approved, it has been amended several times with the most recent amendment on February 13, 2003, when coverage for dentists was added.

In addition to numerous proposed amendments aimed at consistency and clarity in interpreting the terms of the Plan, one substantive change is proposed. In Fall 2003, a Task Force of U. T. physicians and attorneys was appointed to discuss recent tort reform measures and the impact on U. T. physicians and component institutions. The Task Force overwhelmingly recommended expanding coverage to provide legal representation before the Texas State Board of Medical Examiners and the Texas State Board of Dental Examiners. The proposed amendments to Articles II, III, and V provide coverage for legal representation in disciplinary, licensing or similar administrative proceedings up to \$25,000 per proceeding and \$100,000 per enrollment year, unless other Plan exclusions apply. No fines, penalties, or costs assessed as a result of the proceedings will be covered.

**THE UNIVERSITY OF TEXAS SYSTEM
PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**

(Effective September 1, 2004)

**ARTICLE I
PURPOSE**

The purpose of The University of Texas System Professional Medical Liability Plan ("Plan") ~~this Plan~~ is to provide certain health care providers ~~Medical Members~~ and ~~medical~~ students of The University of Texas System ("System") with ~~medical~~ professional liability indemnity from and against medical and dental liability claims pursuant to the authority granted to the Board of Regents of The University of Texas System by Texas Education Code, Section 59.01 et seq. Senate Bill 391, Acts of the 65th Legislature, which Act became effective March 10, 1977, as amended.

**ARTICLE II
DEFINITIONS**

~~This Plan shall be known as the Professional Medical Liability Benefit Plan ("Plan").~~ Unless otherwise required by the context, the following definitions ~~terms~~ shall control:

A. **Plan Participant** ~~Medical Members~~ shall mean:

1. Staff physicians and dentists who are medical ~~Medical~~ doctors, oral surgeons, oral pathologists, dentists, doctors of osteopathy, ~~or and~~ podiatrists appointed to the full-time faculty of a medical or dental school or hospital of the System, medical doctors employed full-time in health services at and by a general academic institution of the System; ~~residents of such disciplines participating in a patient-care program in the System, and fellows whose salaries are paid by a System health component, who are duly licensed, credentialed, and registered to practice their profession;~~
2. Residents and fellows enrolled in a residency program or fellowship at a System medical or dental school who are duly licensed, credentialed, and registered to practice their profession;
3. Medical ~~medical~~ doctors, oral surgeons, oral pathologists, dentists, doctors of osteopathy, and podiatrists appointed to the faculty of a medical school or hospital of the System on a part-time or volunteer basis, and who either devote their total professional service to such appointments or provide services to patients by assignment from the

department chairman. For purposes of the Plan, such persons are "Plan Participants ~~Medical Members~~" only when providing services to patients in conjunction with supervision of medical or dental students or residents ~~physicians~~ by assignment from the department chairman and shall become Participants in the Plan only as provided in Article IV, Section 2; and

3. ~~Residents who work additional hours for additional compensation at a U. T. System health facility or facility affiliation with the U. T. System, will be provided coverage as long as the situation meets the requirements of the Accreditation Council for Graduate Medical Education (including requirements of supervision and restrictions on allowable number of work hours), and the work has previously been identified as part of the resident's general training program.~~
4. Medical or dental students of a medical or dental school of the System and only when participating (with prior approval of such medical or dental school) in a patient-care program of a duly accredited medical or dental school under the direct supervision of a faculty member of the school conducting such program.

- B. ~~**Participant** means any Medical Member qualifying under Article IV for participation in this Plan. The coverage afforded applies separately to each Participant against whom claim is made or suit is brought, except with respect to the limits of the System's liability.~~
- C. ~~**Medical Liability Claim** means a claim, lawsuit or cause of action (arising within the Plan territory) based upon treatment, or lack of treatment within the United States of America, its territories or possessions, or Canada, or other ~~claimed departure that departs~~ from accepted standards of medical or dental care which proximately results in injury to or death of a the Participant's patient, whether the claim or cause of action sounds in tort or contract, subject to the exclusions described in Article V, Section 4, below.~~
- C. ~~**Disciplinary and Licensing Actions** means any disciplinary, licensing, or similar administrative proceeding brought against a Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners that arises from professional services, except those excluded pursuant to Article V, Section 4.~~
- D. **System** means The University of Texas System.
- E. **Board** means the Board of Regents of The University of Texas System.
- F. **Fund** means the Professional Medical Liability Fund established by the Board.

- G. **Administrator** means the Vice Chancellor and General Counsel of The University of Texas System.
- H. **Damages** means all damages, including damages for death, which are payable because of injury to which the Plan applies, but does not include exemplary or punitive damages.
- I. **Coverage** means the ~~medical liability indemnity~~ and legal representation afforded Participants by this Plan.
- J. **Plan territory** means
1. ~~The United States of America, its territories or possessions, or Canada;~~
or
 2. ~~Anywhere in the world for medical doctors, oral surgeons, oral pathologists, doctors of osteopathy, or podiatrists, provided the original suit for damages is brought within the United States of America, its territories or possessions, or Canada.~~
- K. **Annual Enrollment period** ~~means from April 1, 1977 through March 31, 1978, and each succeeding twelve-month period (from April 1, through March 31) or part thereof terminating with the termination of this Plan~~ begins on the date the Participant has a System appointment and meets the conditions for participation under Article IV below and ends on August 31st after enrollment begins.
- ~~KL.~~ **Certificate of Coverage** means that document issued to the Plan Participant Medical Member by The University of Texas the System specifying the terms and conditions of the Plan benefits enrollment period and limits of coverage.
- ~~LM.~~ **Professional services** means medical, dental or health care and treatment.
- N. **Utilization review** ~~means the review of the medical care of a patient by a physician for the purpose of determining quality of care, determining medical necessity of care or treatment or whether a specific medical treatment or consultation will be authorized, or determining in what setting or what type of health care provider will provide the treatment or consultation, in which the physician has had no contemporaneous personal involvement in the care being evaluated. This review may include a review of medical records, medical history or patient examinations in whatever form transmitted (oral, written or electronic).~~
- M. **Plan year** means the twelve-month period beginning on September 1 and ending on August 31 of each year.

**ARTICLE III
APPLICABILITY OF PLAN PROVISION**

The coverage afforded by this Plan is subject to the particular terms, conditions, and limitations (including, but not limited to limits of liability) of this Plan and the interpretation thereby by the Board or the Plan Administrator. Notwithstanding any other language of the Plan, the coverage afforded by the Plan applies only to ~~Medical~~ Liability Claims and Disciplinary and Licensing Actions arising out of incidents, transactions or events occurring on or after April 1, 1977.

**ARTICLE IV
CONDITIONS FOR PARTICIPATION**

Section 1

Each ~~person who is~~ a Participant on the effective date of the Plan, and each person who becomes a Participant thereafter, as long as this Plan remains in effect, shall participate in the Plan provided, that

- A. Each medical or dental student, as an additional condition of participation, must pay into the Fund a fee in such amount or amounts, and at such time or times, as may be required by the Board; and
- B. A medical doctor employed ~~full-time~~ in health services at and by a general academic institution of the System shall not become a participant unless and until:
 - 1. ~~All medical doctors so employed by such institution elect to participate in the Plan,~~
 - 2. Such institution files with the Administrator a written application, on behalf of such medical doctors, for participation in the Plan, and
 - 23. Such application is approved and accepted by the Administrator.

Section 2

Plan Participants ~~Medical Members~~ as defined in Article IIA.3 2 above shall become participants in the Plan upon written designation by the president ~~chief administrative officer~~ of the health care institution with the approval of the Administrator and the Executive Vice Chancellor for Health Affairs.

Section 3

Residents and fellows who work additional hours for additional compensation at a System health facility or facility affiliated with the System, will be provided coverage as long as it meets the requirements of the Accreditation Council for Graduate Medical Education (including requirements of supervision and restrictions on allowable number of work hours), and the work has previously been identified as part of the resident's or fellow's general training program and fees generated for professional services are deposited in a System health component practice plan, trust or affiliated foundation or certified not-for-profit corporation as approved by the Board.

ARTICLE V COVERAGE OF PARTICIPANTS

Section 1 -- Payments on Behalf of Participants

- A. Except as otherwise provided herein, the System will pay on behalf of each Participant, from monies in the Fund, all sums which the Participant shall become legally obligated to pay as damages because of a Medical Liability Claim arising from the exercise of the Participant's employment, duties or training with the System as a Plan Participant Medical Member performed in the practice of the Participant's his or her profession, including service by the Participant as a member of a formal accreditation or similar professional board or committee of a hospital or professional society with respect to medical staff privileges, accreditation or disciplinary matters related to competency.
- B. Coverage for Plan Participants Medical Members as defined in Article IIA. 3 2 above shall be limited to claims arising from assigned teaching activities and supervision of medical or dental students, and residents and fellows physicians performed within the course and scope of the Participants' assignments as evidenced in writing.
- C. Coverage for Participants shall be subject to the conditions applicable to the Medical Member through his or her Certificate of Coverage.
- D. Peer review performed at the request of a credentialing body or a professional society for the purpose of determining quality of care is covered provided that any funds generated from the review are deposited into the practice plan as required by the practice plan bylaws. Utilization review decisions made by a participant that are pursuant to a contract with an insurance company or managed care organization as a provider of health services in which the physician has a contemporaneous personal involvement in the care of the patient care is covered.

- D. Coverage for Plan Participants for Disciplinary and Licensing Actions shall be limited to legal representation of the Plan Participant by an attorney in a proceeding brought against the Plan Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners that arises from a covered activity, subject to the limitation in Section 3 D below and exclusions set forth in Section 4 below.

Section 2 -- Defense of Lawsuits

The System shall have the right and duty to defend any claim or lawsuit against a Participant seeking damages because of such injury even if any of the allegations of the claim or lawsuit are groundless, false or fraudulent. The System may make such investigation and settlement of any claim or lawsuit, as it deems appropriate ~~expedient~~. The System shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the System's liability has been exhausted by payment of judgments or settlements, or monies in the Fund have been exhausted. The System has no duty to defend any claims not covered by the this Benefit Plan.

Section 3 -- Supplementary Payments

The System will pay from the Fund, in addition to the applicable limit of liability:

- A. All expenses incurred by the System in investigating and defending any lawsuit, all costs taxed against the Participant in any suit defended by the System, and all interest on the entire amount of any judgment therein which accrues after entry of the judgment and before the System has paid or tendered or deposited in court that part of the judgment which does not exceed the limit of the System's liability thereon;
- B. Premiums on appeal bonds required in any such suit, premiums on bonds to release attachments in any such lawsuit for an amount not in excess of the applicable limit of liability of this Plan, but the System shall have no obligation to apply for or furnish any such bonds.
- C. Reasonable, personal expenses incurred by a Participant ~~or former Participant~~ at the System's request in assisting the System in the investigation or defense of any claim or lawsuit.
- D. Costs and expenses incurred in connection with the investigation and defense of a disciplinary and licensing action brought against the Participant; however the Plan will not pay more than \$25,000 in costs and expenses on behalf of a Participant for any single proceeding. Furthermore, the Plan will not pay more than \$100,000 for costs and expenses on behalf of a Participant for all such proceedings during an annual enrollment period.

Section 4 -- Exclusions

The System will not defend or indemnify a Participant ~~pay under this coverage~~ for:

- A. Injury arising out of the performance by the Participant of any illegal, dishonest, fraudulent, criminal, or malicious act or omission by the Participant unless Participant had no reasonable cause to believe his conduct was unlawful or illegal;
- B. Any claims or lawsuits alleging ~~based upon the violation of state or federal laws relating to, including~~ antitrust statutes, fraud and abuse, anti-kickback, and illegal remuneration laws;
- C. Injury arising out of any sexual conduct of the Participant, including but not limited to sexual harassment and sexual relations, and including, without limitation, when intentionally or negligently done in connection with any professional service, act or omission, and regardless of whether such conduct is alleged to constitute negligence;
- D. Any injury caused while Participant is acting under the influence of alcohol or controlled substances or as a result of excessive use of therapeutic drugs;
- E. Any use, administration or prescription of any drug or pharmaceutical disapproved or not yet approved by the United States Food and Drug Administration for treatment for human beings; unless such use, administration or prescription has been approved by the Institutional Review Board of the health care institution where such drug or pharmaceutical was used, administered or prescribed;
- F. Any liability arising out of any professional or licensed service, act or omission outside the scope of Participant's employment with System;
- G. Injury for which the Participant may be held liable as a proprietor, stockholder, owner, member of the board of directors, governors or trustees, superintendent, executive officer, department head or medical director of any non-System owned or managed hospital, sanitarium, laboratory, clinic with bed and board facilities, infirmary, nursing home, foundation, surgical center, blood bank, commercial or any other business enterprise whether or not related to patient care and/or treatment; but, this exclusion shall not be applied to responsibilities which require the special expertise or training of a physician or surgeon and which are not principally executive or administrative in nature;
- H. ~~Injury, of an individual practitioner,~~ arising out of the rendering of or failure to render professional services by any other person for whose acts or omissions the Participant may be held liable as a member, partner, officer, director or stockholder of any professional partnership, association or corporation;

- I. Injury to any employee of the Participant arising out of and in the course of that person's employment by the Participant;
- J. Any obligation for which the Participant or any carrier acting as insurer may be liable under any workers' compensation, unemployment compensation or disability benefits law, or under any similar law;
- K. Any liability or indemnity obligation assumed by the Participant under contract or agreement, except to the extent endorsed hereto;
- L. Injury to any employee (past or present) or applicant for employment or patient of the Participant based upon actual ~~Actual~~ or alleged discrimination based on ~~because of~~ race, religion, color, sex, national origin, age, veteran status, or disability or handicap against a past or present employee or any applicant for employment with any insured, any participant, or any patient;
- M. Damage to property:
 - 1. owned, occupied or rented by a Participant;
 - 2. used by a Participant;
 - 3. in any Participant's care, custody or control; or
 - 4. over which a Participant is exercising physical control for any reason;
- N. Any fines, penalties, the return or withdrawal of fees or government payments, including any fines, penalties or costs assessed against a Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners as a result of a Disciplinary and Licensing Action;
- O. Any award of punitive or exemplary damages, treble or multiple damages;
- P. Any claim arising out of professional services which occurred prior to the ~~prior~~ effective date of this Plan;
- Q. Any claim arising out of professional services which occurred ~~happened~~ after the termination of faculty appointment, residency or ~~medical~~ student status with the System;
- R. Any claim arising out of professional services where the professional services were billed for by the Participant and were not deposited in a System health component practice plan trust or affiliated foundation or certified not-for-profit corporation as approved by the ~~U. T. Board of Regents;~~

- S. Any claim arising out of professional services performed for professional fees, salaries or other compensation by a Plan Participant that is not part of the Plan Participant's employment with the System or training program Residents or Fellows at a non-System-owned health care facility (moonlighting); and
- T. Legal representation of a Plan Participant before the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners in a Disciplinary and Licensing Action arising out of any activity that is excluded under this Plan
~~Any claim arising out of a request by a managed care company or an insurance company for a Participant to provide utilization review services in which the Participant has no contemporary personal involvement in the care being evaluated.~~

**ARTICLE VI
PARTICIPANTS' OBLIGATIONS**

~~Section 1 -- Assistance and Cooperation of Participant~~

~~Upon the Participant's becoming aware of an occurrence or incident involving an injury or death, or an alleged injury or death, to which this Plan applies, or may apply, written notice containing particulars sufficient to identify the Participant and also reasonably obtainable information with respect to the time, place and circumstances thereof, and the names and addresses of the patient and of available witnesses, shall be given by or for the Participant to the Administrator as soon as practicable.~~

~~Section 2-- Notice of Claim, or Suit or Disciplinary and Licensing Action~~

The Participant shall give written notice to the System as soon as practicable of any claim made against the Participant. The notice shall identify the Participant and contain reasonably obtainable information with respect to the time, place and circumstances of the injury, including the names and addresses of the patient injured and of available witnesses. If a claim is made or a lawsuit is brought against the Participant, the Participant shall immediately forward to the Administrator every demand, notice, summons, or other process received by the Participant in accordance with administrative procedures ~~regulations for the Plan~~ prescribed or approved by the Administrator.

The Participant shall give written notice to the System as soon as practicable of any disciplinary and licensing action taken against the Participant for which the Participant seeks coverage.

Section ~~2~~ 3 -- Cooperation by Participant

The Participant shall cooperate with the System and, upon the System's request, respond to discovery requests, attend meetings with Plan representatives or defense counsel, and attend mediations and trials. Further, the Participant shall cooperate with the System ~~assist in making settlements, in the conduct of suits, and~~ in enforcing any right of contribution or indemnity against any person or organization who may be liable to the Participant because of injury or damage with respect to which coverage is afforded under this Plan. The Participant shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The Participant shall not, except at Participant's own cost, and after informing the Administrator in writing, voluntarily make any payment, assume any obligation or incur any expense. The Participant shall not take any affirmative act or omission which may reasonably prejudice the defense of the claim or lawsuit. The taking of any affirmative act or omission which prejudices the defense of the claim or lawsuit shall entitle the System, but not obligate the System, to deny indemnity for any or all claims or lawsuit so prejudiced.

Section 3 4 -- Nonassignability of Interest in Plan

The Participant's interest under this Plan is nonassignable. If any Participant shall die or be adjudged incompetent, this Plan shall thereupon terminate automatically as to such Participant, but shall indemnify and defend ~~cover~~ the legal representative of such Participant's estate as a Participant with respect to liability previously incurred and covered by this Plan.

ARTICLE VII LIMITS OF LIABILITY

- A. The Plan's liability shall not exceed the limits of liability stated below, and such stated limits shall be applied as follows:
1. ~~The "per claim" limit of liability is the maximum liability the Plan can owe for a claim first made during an annual period of this Plan and covered by this Plan as a Plan Incident. A single "per claim" limit of liability shall be applicable to a Liability Claim Plan Incident regardless of the number of claimants or Plan Participants involved claims made, lawsuits filed, or physicians involved in a Plan Incident, and regardless of the number of annual periods involved with any Plan Incident.~~
 - a. A single "per claim" limit of liability shall apply to claims involving ~~If a Plan Incident involves~~ injuries to more than one patient such as in obstetrical services to the mother and fetus/child or children, a single "per claim" limit of liability shall be applicable for all such claims and resulting lawsuits.

- ~~b.~~ A Likewise, a single “per claim” limit of liability shall apply be applicable to all claims by both the patient and by the family members or the heirs or estate of such patient, including derivative claims, claims for loss of consortium, claims of beneficiaries under the Texas Wrongful Death Statute and claims for mental anguish and related injuries associated with bystander perception or reaction to the injuries sustained by the patient.
- ~~c.~~ Plan coverage limits of liability, ~~therefore~~, will not be stacked, added or combined in any manner to increase liability under this Plan even though multiple claimants, multiple claims or injuries, multiple lawsuits, or annual periods may be involved within a Liability Claim-Plan Incident.

2. The “annual aggregate for all claims for all Participants” is the maximum amount of money the Plan will pay to indemnify all Participants for all Liability Claims arising during any one Plan year ~~limit of liability is the maximum liability the Plan can owe for the aggregate of all Plan Incidents for which claims are first made during an annual period of the Plan for all participants in the Plan.~~

~~B. When a claim is first made during an annual period as to the Participant, and thereafter, during the same or a subsequent annual period, one or more additional claims or lawsuits are reported arising out of, directly or indirectly, the same Plan Incident, all such subsequent claims or lawsuits shall be considered to have been first made against such Participant at the same time and during the same annual period as such claim was initially reported, and a single “per claim” limit of liability shall be applicable.~~

~~“First made” means a claim first reported in writing to the Plan during the annual period of the Plan.~~

~~“Plan Incident” means any and all injuries and compensatory damages arising out of: the same, connected or related patient services rendered by the Participant or by anyone for whom such Participant has coverage under the Plan for vicarious liability.~~

Limits of Liability Schedule

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

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

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

Medical or Dental Student - \$25,000.00 per Liability Claim (up to \$75,000.00 for all Liability Claims during any one enrollment period)

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

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

~~Per Incident Limitation~~

~~Liability shall be limited to \$2,000,000.00 per incident regardless of the number of the claimants or physicians involved in an incident.~~

**ARTICLE VIII
OTHER COVERAGE INSURANCE**

Section 1 -- Coverage

When the Participant has other professional liability coverage insurance which is stated to be applicable to the loss on an excess or contingent basis, the amount of the System's liability under this Plan shall not be reduced by the existence of such insurance.

Section 2 -- Insurance

When both this Plan and insurance apply to the loss on the same basis, whether primary, excess or contingent, the System shall not be liable under this Plan for a greater proportion of the loss than that stated in the applicable contribution provision below:

- A. ***Contribution by Equal Shares.*** If all such valid and collectible insurance provides for contribution by equal shares, the System shall not be liable for a greater proportion of such loss than would be payable if each such insurer contributes an equal share until the share of each insurer or the Plan equals the lowest applicable limit of liability under any one policy or the Plan or the full amount of loss is paid, and with respect to any amount of loss not so paid, the remaining insurers or the Plan then continue to contribute equal shares of the remaining amount of the loss until each such insurer or the Plan has paid its limit in full or the full amount of the loss is paid.

- B. **Contribution by Limits.** If any of such insurance does not provide for contribution by equal shares, the System shall not be liable for a greater proportion of such loss than the applicable limit of liability under this Plan for such loss bears to the total applicable limit of liability of all valid and collectible insurance and the Plan against such loss.

ARTICLE IX MODIFICATION AND TERMINATION

Section 1 -- Rights of Participants

The Board may terminate the Plan at any time, ~~or at any time~~ or from time to time, may amend, alter or suspend the Plan in whole or in part, as to all persons eligible to participate hereunder, or any class or groups of such persons, provided such action shall not impair any rights accrued prior to the effective date of such termination, amendments, alterations or suspension. Any such termination, amendments, alterations or suspension shall be effective on the date of the Board action unless a later date is specified by the Board. The Administrator shall promptly give notice of any such termination, amendment, alteration or suspension to all Participants affected thereby.

Section 2 -- Termination in Event of Mandatory Participation in Other Indemnity or Insurance Programs

It is an express condition of the Plan that if the System is required by law, or by a collective bargaining or other agreement, to contribute toward another plan, program or scheme providing professional liability insurance or indemnity benefits for a class or group of Plan Participants ~~Medical Staff Members~~, this Plan will terminate forthwith as to such class or group of Plan Participants ~~Medical Staff Members~~.

Section 3 -- Termination of Plan Participation ~~Upon Cessation of System Employment~~

This Plan shall apply to a Participant only so long as such Participant remains qualified to participate in this Plan, provided that cessation of such participation shall not impair any rights accrued under this Plan prior to the effective date of such cessation of qualification.

Section 4 -- Benefits Terminable

All coverage of a Participant under this Plan shall cease at once if the Participant engages in any business or performs any act which in the sole judgment of the Board is prejudicial to the interest of the System.

**ARTICLE X
ACTION AGAINST SYSTEM**

Section 1 -- Conditions Precedent

No action shall lie against the System unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Plan, nor until the amount of the Participant's obligation to pay shall have been finally determined either by judgment against the Participant after actual trial, or by written agreement of the claimant and the Administrator.

Section 2 -- Third-party Actions

Any person or organization, or the legal representative thereof, who has secured such judgment or written agreement, shall thereafter be entitled to recover under this Plan to the extent of the coverage afforded by this Plan. No person or organization shall have any right under this Plan to join the System as a party to any action against the Participant to determine the Participant's liability, nor shall the System be impleaded by the Participant or the Participant's ~~his~~ legal representative. Bankruptcy or insolvency of the Participant or the Participant's estate shall not relieve the System of any of its obligation hereunder.

**ARTICLE XI
ADMINISTRATION OF PLAN**

Section 1 -- Administration

The Plan shall be administered by the Administrator under direction of the Board.

Section 2 -- Administrative Regulations

The Administrator may from time to time prescribe regulations for the administration of this Plan provided that such regulations shall, in the opinion of the Administrator, be consistent with the provisions of this Plan as it may be amended from time to time pursuant to Article IX of this Plan. Pursuant to ~~Section 7.2(13), Chapter II, Part One,~~ The University of Texas System Regents' Rules and Regulations, the Administrator may delegate in writing certain administrative, accounting, and investment functions of the Plan.

Section 3 -- Legal Interpretation

The text of this Plan shall control and the headings to the Articles, Sections and Paragraphs are for reference purposes only, and do not limit or extend the meaning of any of the Plan's provisions. The Plan shall be governed by and construed in accordance with the laws of the State of Texas. Any interpretation of the Plan by the

Administrator shall be conclusive as between the System and its employees and students, participating Plan Participant ~~Medical Members~~, and retired or otherwise terminated Participants, employees and students, and may be relied upon by the System and all parties in interest.

Section 4 -- Counsel and Settlement Authority

Authority to employ counsel, approve attorney fees and expenses, and approve settlement of all claims, including litigation, shall rest with the Administrator, or the Administrator's ~~his~~ delegate, subject to any additional approval required by the Board of Regents of the System pursuant to any applicable policies of the System.

ARTICLE XII GENERAL PROVISIONS

Section 1 -- Subrogation

In the event of any payment under this Plan, the System shall be subrogated to all of the Participant's rights of recovery thereof against any person or organization and the participant shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Participant shall do nothing after loss to prejudice such rights.

Section 2 -- Changes

Notice to any agent or knowledge possessed by any agent or by any other person shall not affect a waiver or a change in any part of this Plan, or estop the System from asserting any right under the terms of this Plan; nor shall the terms of this Plan be waived or changed, except by written waiver or amendment duly approved by the Board.

Section 3 -- Entirety of Agreement

This Plan embodies all agreements existing between any and all persons and the System or any of its agents relating to this Plan and the coverage afforded hereunder.

Section 4 -- Employment Non-Contractual

The System may terminate the appointment, internship, residency, fellowship, or student-school relationship of any Participant as freely and with the same effect as if this Plan were not in operation.

Section 5 -- Actions Against Participant

This Plan or its operations shall not in any way affect any claim or cause of action by the System against a Participant for indemnity or contribution arising out of or incident to any Liability Claim ~~medical liability claim~~.

Section 6 -- Communications

All notices, reports and statements given, made, delivered or transmitted to a Participant shall be deemed duly given, made, delivered or transmitted when delivered to the Participant ~~him~~, or when mailed by first-class mail, postage prepaid, and addressed to the Participant ~~him~~ at the address last appearing on the books of the System. A Participant who changes his address shall forthwith give written notice to the System of such change. Written directions, notices and other communications from participants to the System shall be mailed by first-class mail, postage prepaid, or delivered as follows:

The University of Texas System
Office of General Counsel
Ashbel Smith Hall
201 West 7th Street
Austin, Texas 78701

Attention: Vice Chancellor and General Counsel

Section 7 -- Use of Pronouns

Whenever used in this Plan, masculine pronouns shall include both men and women unless the context indicates otherwise.

Section 8 -- ~~Coverage Under Prior Plan~~

~~A medical liability claim that occurred prior to the effective date of the revised Plan filed against a medical member after the effective date of the revised Plan is covered under the terms of the prior Plan.~~

~~Section 9 -- Effective Date~~

The revised Plan shall be effective September 1, 2004 ~~February 12, 1998~~.

Discussion at meeting:

Mr. Godfrey presented the reason for amendments to the Plan and Vice-Chairman Krier asked if part of those changes occurred in Article III. She said she was unclear why the word "medical" in reference to "liability claims" needed to be struck or if it is picked up somewhere else? Mr. Godfrey responded that dentists were added last

year to the coverage and conforming changes were not included in the rest of the plan language. Vice-Chairman Krier then asked if that broadens it to other kinds of liability, and it seemed that "medical and dental" would be left rather than leaving it wide open to liability.

Mr. Godfrey said he would be pleased to make the change and Vice-Chairman Krier said she would prefer not to open it to all liability claims if there is not a cross-reference somewhere else that protects it. She pointed to Page 58 of the Agenda Book and recommended the word "medical" be left in and the rest of the document be made consistent since it is the medical and dental benefit plan.

Following the meeting, it was determined that the definition of "liability claim" in the definition section of the Plan as set forth below, Article V relating to Plan coverage as well as the exclusions section of Article V, make it abundantly clear that this Plan only covers medical and dental liability claims and provide the appropriate cross-reference that Regent Krier is seeking. The Plan document must be interpreted as a whole.

("Liability Claim" means a claim, lawsuit or cause of action (arising within the Plan territory) based upon treatment, or lack of treatment within the United States of America, its territories or possessions, or Canada, or other claimed departure that departs from accepted standards of medical or dental care which proximately results in injury to or death of the Participant's a patient, whether the claim or cause of action sounds in tort or contract, subject to the exclusions described in Article V, Section 4, below.)

3. U. T. Health Science Center - Houston: Honorific naming of the Department of Ophthalmology and Visual Science as the Richard S. Ruiz, M.D. Department of Ophthalmology and Visual Science

Committee Meeting Information

Presenter(s): Dr. James T. Willerson, President, U. T. Health Science Center - Houston

Status: Approved

Motion: Moved, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for External Relations, and President Willerson that the Department of Ophthalmology and Visual Science at U. T. Health Science Center - Houston be

named the Richard S. Ruiz, M.D. Department of Ophthalmology and Visual Science effective upon the retirement of Dr. Ruiz from U. T. Health Science Center - Houston.

BACKGROUND INFORMATION

Dr. Ruiz has served as Chairman of the Department of Ophthalmology and Visual Science for the past 33 years. He holds the John S. Dunn Distinguished University Chair in Ophthalmology and serves as Chief of Ophthalmology at Memorial Hermann Hospital.

In 1968, Dr. Ruiz established the Hermann Eye Fund, a nonprofit, tax-exempt foundation, to help underwrite indigent patient care, teaching, research, and public service. Under Dr. Ruiz's leadership as President of the Hermann Eye Fund, contributions have grown to more than \$15 million. Hermann Eye Center physicians provide free ophthalmic care for indigent patients, while the Eye Fund underwrites their hospital costs. Through the efforts of the Eye Fund Board of Directors, Dr. Ruiz has created more than 20 endowed positions totaling approximately \$10 million within his department, including two distinguished university chairs, five chairs, two distinguished professorships, eight professorships, two special endowed funds, and one fellowship.

As the first holder of the John S. Dunn Distinguished University Chair, Dr. Ruiz was the first faculty member in the U. T. System to hold a distinguished university chair. Upon transference of these funds to U. T. Health Science Center - Houston, the Hermann Eye Fund will become one of the institution's top five donors. The Fund recently made a \$500,000 pledge to the New Frontiers Campaign in support of the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (IMM).

In addition Dr. Ruiz has generously purchased and placed many commissioned works of art in the Hermann Eye Center and the grounds of the Texas Medical Center. A fountain dedicated to his mother and a metal sculpture called "The Burden", dedicated to his father stand as reminders to all who view them that there is a place for art and the humanities in this city of healing.

Dr. Ruiz's department has excelled in clinical care, research, and education, and continues to gain international attention. Few individuals measure up to the accomplishments of Dr. Richard Ruiz over the past four decades. His significant contributions to Memorial Hermann Hospital, the U. T. Medical School - Houston, U. T. Health Science Center - Houston, U. T. System, and the community continue to be measured.

The naming will not be effective until Dr. Ruiz retires from U. T. Health Science Center – Houston, however the proposed naming is consistent with the Regents'

Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 and institutional guidelines regarding naming of facilities and significant entities, which allow honorific namings for an employee in unusual circumstances.

Discussion at meeting:

President Willerson spoke about Dr. Ruiz and clarified Dr. Ruiz had been Chairman of the Department for almost 36 years. Regent Estrada asked Dr. Willerson to invite Dr. Ruiz to meet the members of the Board at the meeting tomorrow (August 12).

4. U. T. Medical Branch - Galveston: Correctional Managed Health Care

Committee Meeting Information

Presenter(s): Dr. John D. Stobo, President, U. T. Medical Branch at Galveston

Status: Reported

Agenda Item:

President Stobo will present a PowerPoint on Correctional Managed Health Care as attached on Pages 72.1 – 72.10 of the Agenda Book.

Discussion at meeting:

In reviewing the PowerPoint, Dr. Stobo reviewed what U. T. Medical Branch - Galveston has done in the past 10+ years to provide health care to a special population, that is the incarcerated in the State of Texas. He said the program has grown into a full system of delivering health care built on a platform of telecommunications

He pointed out the value an academic health center can bring to populations. He pointed out storm clouds in terms of funding for the program and said this program might serve as a model, for instance in the State of California.

Dr. Stobo introduced Ben Raimer, M.D., Vice President for Community Outreach and Chief Physician Executive for Correctional Managed Care. Dr. Stobo said this program has saved the State of Texas roughly \$784 million compared to what would have been spent if they had continued under their own management as in 1994.

President Stobo mentioned some concern about the quality of healthcare provided in this system and the institution asked Texas Medical Foundation, who looks at quality healthcare statewide, to conduct an audit on the healthcare provider in this system. In July, an Administrative Audit was conducted, and a medical record audit is being done this month. The results will be submitted to the Chancellor.

Dr. Shine said he wanted members of the Committee to be aware of the program in that this could be a serious issue in the next legislative session if the program is not properly financed. He mentioned an upcoming report on quality care issues. He commended his colleagues on their resourcefulness in developing the most state-of-the-art electronic telemedicine system now being used in a variety of civilian settings and noted expectations of increased collaborations and opportunities.

5. U. T. Southwestern Medical Center - Dallas: Authorization to enter into a letter of intent regarding the proposed acquisition of Zale Lipshy University Hospital and St. Paul University Hospital

Committee Meeting Information

Presenter(s): *Dr. Kern Wildenthal, President; Mr. John McConnell, Executive Vice President for Health Systems Affairs; and Mr. John Roan, Executive Vice President of Business Affairs, U. T. Southwestern Medical Center - Dallas*

Status: *Approved*

Motion: *Moved, seconded, and carried unanimously*

Follow-up: *Process the signed Letter of Intent for the acquisition of Zale Lipshy and St. Paul University Hospitals to get to the Coordinating Board for October meeting.*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. Board of Regents authorize the Chairman, on behalf of U. T. Southwestern Medical Center – Dallas, to enter into a letter of intent with Zale Lipshy University Medical Center, Inc., Zale Lipshy University Hospital, Inc., and St. Paul University Hospital, Inc. (in substantially the form attached on Pages 77 – 79 of the Agenda Book) for the purchase of the assets of Zale Lipshy University Hospital and St. Paul University Hospital in Dallas, Texas, for the benefit and use of U. T. Southwestern Medical Center - Dallas.

It is further recommended that the Board recognize that the acquisition of such hospitals is essential to conducting U. T. Southwestern Medical Center – Dallas as a medical school of the first class, and will serve the public benefit through the ownership and operation of such hospitals in accordance with the rules and regulations of U. T. Southwestern Medical Center - Dallas.

It is further recommended that the Board delegate to the Chancellor the authority to (i) direct that final agreements covering all essential issues be negotiated and submitted for Board approval at a future meeting and (ii) direct the preparation and filing of any required submittals to other governmental agencies in connection with the proposed transaction.

BACKGROUND INFORMATION

This following information was provided by President Wildenthal as a supplement to the presentation he will make to the Health Affairs Committee.

For a medical school to excel in medical education, research, and clinical care requires superior programs not only in emergencies, trauma, and acute diseases that are common in public hospitals, but also private specialty care that draws referral patients from a large, diverse population.

Over the last two decades, U. T. Southwestern Medical Center - Dallas has come to be recognized as one of America's greatest medical schools in education and research. Its clinical programs for indigent patients and emergencies at Parkland Memorial Hospital are also regarded as second-to-none, and many of its clinical faculty specialists are regularly included on peer-reviewed lists of "Best Doctors in America." However, having lacked facilities in which to care for referral patients until very recently, and even now having to utilize multiple small, uncoordinated, and separately-identified sites for such care, U. T. Southwestern has not been able to provide the highest level of clinical care for patients who require referral to specialists and sub specialists. This need has contributed to the inability of U. T. Southwestern to achieve national prominence for broad excellence in clinical care. National recognition for excellence in clinical care, as discussed below, plays a major role in achieving substantial program improvements.

1. U. T. Southwestern has carefully analyzed its strengths and needs, and is clear that to achieve comprehensive clinical excellence and national recognition will require the full integration of its referral hospitals with its outpatient facilities and with the faculty group practice. Both for financial and management reasons, by far the best way to achieve the needed integration is through the acquisition by U. T. Southwestern of Zale Lipshy University Hospital and St. Paul University Hospital; indeed, it is fair to say that this is the only viable option that can yield lasting success.
2. For the first four decades of its existence, U. T. Southwestern's clinical programs were confined to Dallas County's public hospital (Parkland) and the Dallas VA Hospital (plus for pediatrics, Children's Medical Center of Dallas). These hospitals provided excellent sites for programs in emergency care and acute care for indigent patients, but they were not able to accommodate sufficient numbers of private and referred patients for building excellence in many specialties. Consequently, excellence in such fields as cardiac and vascular surgery, degenerative neurological diseases, neurosurgery, transplantation, liver and gastrointestinal disease, orthopedics, ophthalmology, cancer, etc., was slow to develop. (Indeed, much the same can be said for the other University of Texas campuses, excluding M. D. Anderson, in contrast to other leading state schools recognized by *US News and World Report* as among the nation's top 25, including The University of California

at San Francisco, UCLA, UC San Diego, and the Universities of Michigan, Washington, North Carolina, Alabama, Virginia, and Wisconsin -- in all of which the university has for many years owned and operated a referral hospital and outpatient clinics for non-indigent patients in coordination with the medical school's referral clinical practice.)

3. To help meet U. T. Southwestern's need for facilities to accommodate private and referral patients, the medical school built and began operating the Aston Ambulatory Care Center in 1985. In 1989, the school also enlisted the help of community leaders to raise philanthropic funds to construct and operate Zale Lipshy University Hospital as a separately governed 501(c)(3) corporation. The property for the building was leased for 50 years with a 50 year renewal option from the Dallas County Hospital District. By 2000, Zale Lipshy's 145 beds were insufficient to serve U. T. Southwestern's patients. After considering the expansion of Zale Lipshy by 80 beds (the maximum its site could accommodate), it was decided instead that U. T. Southwestern would accept the proposal of Texas Health Resources to sell the real estate assets of the adjacent St. Paul Hospital (26 acres including a 300-bed hospital building) to U. T. Southwestern. The purchased assets of St. Paul Hospital were then leased to Zale Lipshy for operational purposes. The Board of Regents approved this transaction in 2000, and the addition of St. Paul has provided a much-needed, centrally-located outlet for U. T. Southwestern's rapidly growing private practice. Currently, private and referral university programs for cardiology, cardiac surgery, heart transplant, lung transplant, emergency services, and obstetrics and gynecology are housed solely on the St. Paul campus.
4. In 2002, U. T. Southwestern embarked on a major initiative to transform the quality of the clinical service provided to patients, and to develop the highest quality education and care for private and referral patient clinical programs. As part of that process, the university performed detailed best-practice studies of leading academic medical centers (e.g., Duke, Northwestern, Massachusetts General, Vanderbilt, Johns Hopkins, Stanford, University of California at San Francisco, University of California at Los Angeles, and the Mayo Clinic) and created an outside advisory board of national health care executives, led by Dr. Eugene Braunwald from the Harvard Partner's Health System. A major conclusion of this review was that U. T. Southwestern must have operational and financial control of both the inpatient and outpatients environment in order for its clinical programs to produce the excellent level of care and training offered by these programs and to itself become nationally prominent. The Braunwald committee emphasized that comprehensive clinical excellence and national eminence would be impossible without this integration.

5. Heavily influenced by the Braunwald Committee recommendations, but also because the boards of directors St. Paul and Zale Lipshy University Hospitals, along with their parent board, reached the conclusion that U. T. Southwestern had more effective clinical and financial management than did the hospitals, U. T. Southwestern entered into a management agreement with the hospital boards in March 2003, whereby the medical school would provide the senior management for the hospitals. In the intervening 16 months, U. T. Southwestern has recruited new hospital administrators, consolidated operating and information systems, and significantly improved financial performance.
6. Although the hospitals are nearing profitability, in their current configuration they cannot achieve the levels of operating margins required to sustain and grow the excellence of U. T. Southwestern's clinical programs. The current financial structure, whereby all outpatient revenue accrues to U. T. Southwestern, will increasingly challenge the profitability of the hospitals as technology pushes more and more procedures to the outpatient environment. Rather than transferring profitable U. T. Southwestern outpatient programs to a hospital corporation outside U. T. Southwestern control, financial integration of the entire outpatient-inpatient systems under U. T. Southwestern creates a model similar to other top-ranked medical centers. Access to capital is another barrier in the current model. The Hunter Group, national experts in university hospital "turn-arounds," after reviewing the current hospital environment in the Dallas market emphasized that U. T. Southwestern's affiliated university hospitals could never achieve long-term success unless they had a capital partner.
7. U. T. Southwestern is a leading academic institution; however, to achieve the goals and program improvements in clinical care requires operationally and financially integrated inpatient-outpatient systems and a consolidated brand identity, in addition to faculty excellence in research and teaching. Acquisition of the operations of St. Paul and Zale Lipshy University Hospitals will allow U. T. Southwestern to create the structure required to achieve clinical excellence in a number of crucial medical specialties. Enhanced national recognition of clinical programs will, in turn, also benefit the university's research and education missions by increasing the visibility of the institution, promoting faculty and student recruitment, augmenting clinical research programs and opportunities to engage in clinical trials, and facilitating philanthropy. Moreover, enhancement of U. T. Southwestern's clinical strength in referral medicine will improve the quality of care at Parkland and the VA Hospital, through the availability of highly qualified specialists who will also care for indigent patients in their area of special expertise.

8. The form of the transactions under which U. T. Southwestern will acquire the hospitals is described in the letter of intent. The transactions, which we anticipate to take place by December 31, 2004, will involve a purchase of assets, at not greater than fair market value, as supported by an independent business appraisal. The assets of St. Paul are the remaining term of the property lease from U. T. Southwestern, other fixed assets not already owned by U. T. Southwestern and financial assets. At Zale Lipshy, the assets are a ground lease for its building and all fixed and financial assets. As a part of the acquisition of the financial and fixed assets of the hospitals, the Board will acquire from Zale Lipshy University Hospital, Inc., its hospital building and equipment, and a lease for the land on which the building sits (for which the Dallas County Hospital District is the lessor). The value of the ground lease will be supported by appraisals. Along with final approval of the Zale Lipshy acquisition, U. T. Southwestern will request financing through the Revenue Financing System, for the purchase of this ground lease, equipment and building, in an amount, supported by the appraisal, at least sufficient to retire outstanding bonds issued on behalf of Zale Lipshy University Hospital. Acquisition of the ground lease and facility will require approval of the Texas Higher Education Coordinating Board and consent by Dallas County Hospital District. Although not anticipated at this time, if a delay should occur in acquiring the ground lease at the closing date, the use of a lease purchase agreement could serve as an interim step leading to an outright purchase. Of the purchase price for each hospital, all amounts in excess of hospital liabilities will ultimately be gifted back to U. T. Southwestern. The Board will not assume any liabilities, known or unknown, of the hospitals.

[To Be Placed on the Letterhead of Zale Lipshy University Medical Center. Inc.]

James R. Huffines, Chairman
The Board of Regents of The University of Texas System
201 W. 7th Street, Suite 820
Austin, TX 78701-2981

Dear Chairman Huffines:

The purpose of this Letter of Intent is to confirm current discussions and understandings between The University of Texas Southwestern Medical Center at Dallas, a component institution of The University of Texas System, (“UTSW”), and Zale Lipshy University Medical Center, Inc. (“ZLUMC”), Zale Lipshy University Hospital, Inc. (“ZLUH”) and St. Paul University Hospital, Inc. (“SPUH”) (ZLUMC, ZLUH and SPUH being collectively referred to in this letter as “Zale Lipshy-St. Paul”). UTSW and Zale Lipshy-St. Paul are individually referred to herein as a “Party” and collectively referred to as the “Parties”. The Parties agree as follows:

1. Proposed Transactions. UTSW and Zale Lipshy-St. Paul have reached agreements in principle for the acquisition by the Board of Regents of The University of Texas System for the use and benefit of UTSW from Zale Lipshy-St. Paul of the assets of ZLUH and SPUH, as going concern general acute care hospitals, at not greater than fair market value, as supported by independent business appraisals. As a part of the acquisition of the financial and fixed assets of these hospitals, the Board of Regents will acquire a long-term ground lease and building from ZLUH, as lessee, with the Dallas County Hospital District. The value of the ground lease will be supported by a separate appraisal. The Parties understand and acknowledge that the acquisition of the ground lease and ZLUH hospital facility will require approval by the Texas Higher Education Coordinating Board and a consent or waiver by the Dallas County Hospital District. Further, the Parties understand and acknowledge that UTSW will request the issuance of bonds through The University of Texas System Revenue Financing System for the acquisition financing in an amount, as supported by the appraisals, at least sufficient to defease the outstanding bonds issued on behalf of ZLUH. The acquisition transactions may close contemporaneously; however, although not anticipated at this time, if a delay needs to occur in acquiring the assets of ZLUH, a later closing date may be specified for ZLUH or the use of a lease-purchase arrangement for ZLUH may serve as an interim process leading to the later acquisition. All amounts from the purchase price of ZLUH and SPUH in excess of the liabilities of ZLUH and SPUH ultimately will be gifted to UTSW. The Board of Regents will not assume any liabilities of Zale Lipshy-St. Paul, whether known or unknown.
2. Negotiation Time Period. The Parties each agree to use their reasonable best efforts to negotiate, complete and execute definitive documents relating to the Proposed Transactions for a closing date(s) of no later than December 31, 2004, unless this date is extended by mutual agreement of the Parties.

3. Confidentiality. To the extent permitted by applicable law, each Party will keep strictly confidential as to third parties (a) the discussions relating to and status of the Proposed Transactions, (b) the nature and substance of this Letter of Intent, and (c) all Evaluation Material (as defined below) provided to it by the other Party in connection with the discussions relating to and negotiations of the Proposed Transactions.

In connection with the Proposed Transactions, the Parties may from time to time request of and disclose to each other certain information and documentation ("Evaluation Material") to be used to evaluate the Proposed Transactions. Each Party agrees that any Evaluation Material disclosed to it will be kept confidential to the extent permitted by applicable law (acknowledging the fact that Texas open records laws will impact upon this agreement).

Evaluation Material shall not include, and the prohibitions hereof shall not apply to, information which (i) is or becomes generally available to the public other than as a result of an unauthorized disclosure, (ii) is made available to the public or a requesting third party through compliance with the Texas open records laws, (iii) was available to a Party on a non-confidential basis prior to its disclosure, or (iv) was or becomes available to a Party on a non-confidential basis from an independent source other than the disclosing Party, provided that such source is not bound by a confidentiality obligation with the disclosing Party or otherwise prohibited from transmitting such information.

In the event that any Party or any of its Representatives are required, in the opinion of a Party's counsel, by applicable law or legal process, to disclose any Evaluation Material supplied to it in accordance with the provisions hereof, it is agreed that such Party will give the Party from whom it received the Evaluation Material prompt written notice of the proposed disclosure.

Notwithstanding the foregoing, (1) the Parties acknowledge and agree that part or all of the Evaluation Material may be disclosed to a Party's Representatives (defined below) who need to know such information for the purpose of evaluating the Proposed Transactions, it being understood that such Representatives shall be informed of the confidential nature of such Evaluation Material and shall be directed to treat such Evaluation Material confidentially, and (2) either Party may make such disclosures as may be appropriate or necessary, including in open meetings, in order to obtain the necessary authority and/or approval to negotiate, enter into and complete the Proposed Transactions, including, without limitation, disclosures to the Board of Regents of The University of Texas System, the Texas Higher Education Coordinating Board, the Texas Bond Review Board, the Office of the Texas Attorney General, the boards of ZLUMC, ZLUH and SPUH, and the Dallas County Hospital District. For purposes of this Agreement, the term "Representatives" shall mean a Party's directors/trustees, officers, members, employees, attorneys, accountants, and other persons engaged to advise such Party regarding the Evaluation Material or the Proposed Transactions, as well as any of the foregoing who receive the Evaluation Material.

4. External Communication. The Parties will endeavor to ensure that any external or public communication regarding this Letter of Intent or the Proposed Transactions is approved by or consented to by the other Party beforehand.

5. Not Legally Binding. This Letter of Intent is not legally enforceable and does not constitute or create any legally enforceable or binding right or obligation on the Parties except that the provisions of Paragraph 3 relating to confidentiality are intended by the Parties to be legally binding and enforceable. The Parties intend that this Letter of Intent express their commitment to progress through a process of further negotiation and discussion toward definitive terms and documents for the Proposed Transactions. The Parties cannot execute and deliver final and legally binding definitive agreements until the respective governing boards for Zale Lipshy-St. Paul and the Board of Regents have approved those definitive terms and documents and all other legally required approvals or consents for the closing of the Proposed Transactions have been received.

6. Expenses. Each Party will pay its own expenses and costs incidental to this Letter of Intent and the negotiation and completion of the Proposed Transactions.

7. Effective Date. The date of the latter of the dates of execution of this Letter of Intent by the Parties shall be its Effective Date.

8. Counterparts. This Letter of Intent may be executed in one or more counterparts which, when taken together, shall constitute one complete document.

If you are in agreement with the provisions of this Letter of Intent, please execute this Letter of Intent in the space provided below and return the executed Letter of Intent to me at the above address on or before August 15, 2004.

Sincerely,

David Quinn, Chair of the Boards of Directors
Zale Lipshy University Medical Center, Inc.
Zale Lipshy University Hospital, Inc.
St. Paul University Hospital, Inc.
Date: _____

ACCEPTED AND AGREED TO:

The Board of Regents of The University of Texas System
for the benefit of The University of Texas Southwestern Medical
Center at Dallas

By: _____
Name: James R. Huffines
Title: Chairman
Date: _____

Discussion at meeting:

President Wildenthal made the PowerPoint presentation attached on Pages 36.1 – 36.8. He said that the reason to undertake this acquisition is to excel in education, research, and clinical care including a special responsibility for indigent and private patients.

He spoke about the ratings by US News and World Report (Slides 4 - 5) and said the results are not good enough for the State of Texas, including that there is no “best” comprehensive hospital in Texas. Dr. Wildenthal said that consolidation and control of clinical facilities are essential for U. T. Southwestern Medical Center – Dallas to be able to develop comprehensively excellent clinical academic programs.

Following the PowerPoint presentation, Mr. John McConnell spoke about the proposed operations of the hospital (Slides 8, 9, and 10), concluding that with similar consolidated operating models, U. T. Southwestern Medical Center - Dallas can help to close the gaps by enhancement of research and educational missions, enhancement of patient care, enhancement of local and national reputation, and ultimately increase the financial strength of the institution as an educational institution.

Mr. John Roan spoke about the financial condition (Slide 11), saying the Triple A rating of the University would not be impacted with addition of the hospitals. Mr. McConnell said the hospitals can be profitable by 2005 (Slide 13) and Mr. Roan spoke about the business transaction (Slides 14 – 15), saying that he hoped the entire transaction could be in place by December 31, 2005.

Dr. Shine said acquisition of the hospitals was approached with healthy skepticism but to develop clinical programs that are clearly identified the best in the region, and hopefully in the United States is hard to do without incorporating these hospitals. He compared this proposal that would involve management of hospitals by physicians, as similar to that which is being done well at U. T. M. D. Anderson Cancer Center. He recommended the Board move forward, noting the final proposal would come back to the Board for final approval.

Chancellor Yudof said he enthusiastically supports the plan as an historic opportunity for the future of a great medical school and to build areas of clinical excellence. He said this would increase the balance sheet by \$300 million in revenues. He also recognized there are serious risks. He indicated discussions were being held with the Attorney General’s Office to ensure indigent care agreements with existing hospitals carry over to the new owner.

Vice-Chairman Clements suggested the acquisition will give the institution an opportunity to enhance clinical research and Regent Estrada asked if the Texas

Higher Education Coordinating Board has to approve this, to which Dr. Shine responded affirmatively and referenced getting it in the queue for the Coordinating Board before their October meeting.

Regent Rowling also expressed full support for the plan. He has served on the boards of the two hospitals and pointed out that the hospitals are small and barely on a break-even basis and addition of the medical school will help them to succeed. He recognized the risks involved but that the advantages are too good to pass up.

ADJOURNMENT

Committee Chairman Clements announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 1:50 p.m.

Rationale for UT Southwestern Owning and Operating St. Paul and Zale Lipshy University Hospitals

Board of Regents
Health Affairs Committee
August 11, 2004

1

UT Southwestern's Goal

**To be preeminent among America's Medical
Institutions in:**

- **Education**
 - Students
 - Clinical Residents
 - Research Fellows
- **Research**
- **Clinical Care**
 - Indigent Patients
 - Referred Private Patients

2

**Where do the clinical programs of
the University of Texas System
stand with regard to
national recognition?**

3

**TEXAS HOSPITALS THAT RANK IN
AMERICA'S TOP TEN
(US News & World Report Rankings)**

Best Cancer Hospitals

✦ UT MD Anderson - #1

Best Rehabilitation Hospitals

✦ TIRR, Houston - #3

Best Pediatric Hospitals

✦ Texas Children's Hospital, Houston - #4

Best Gynecology Hospitals

✦ UT MD Anderson - #5

Best Psychiatry Hospitals

✦ Menninger Clinic, Houston - #6

Best Heart Hospitals

✦ Texas Heart Institute, Houston - #9

Best Urology Hospitals

✦ UT MD Anderson - #10

4

UT SYSTEM HOSPITALS THAT RANK IN AMERICA'S TOP TEN (US News & World Report Rankings)

Best Cancer Hospitals: UT MD Anderson - #1

Best Gynecology Hospitals: UT MD Anderson - #5

Best Urology Hospitals: UT MD Anderson - #10

5

TEXAS HOSPITALS THAT RANK IN AMERICA'S TOP TIER (US News & World Report Rankings)

Best Comprehensive Hospitals (Honor Roll)

✦ None in Texas

6

UT Southwestern Medical Center Future

- Current Strengths
 - World class faculty and top ranked research programs
 - Nationally recognized graduate and post-graduate educational programs
 - Nationally prominent programs in indigent care, trauma, and burn care at Parkland, an affiliated public hospital.
- To develop comprehensively excellent academic and clinical programs, however, UT Southwestern needs also to have an outstanding referral hospital with national prominence in selected subspecialty areas of medicine.
- UT Southwestern believes that owning and operating St. Paul and Zale Lipshy University Hospitals is an essential step in achieving clinical excellence.

7

National Recognition for Clinical Excellence

Best Hospitals 2004: U.S. News & World Report

- Johns Hopkins Hospital*
- Mayo Clinic*
- Mass. General Hospital*
- Cleveland Clinic*
- UCLA Medical Center*
- Duke University Medical Center*
- UCSF Medical Center*
- Barnes-Jewish Hospital
- Univ. of Washington Medical Center*
- University of Michigan Medical Center*
- New York-Presbyterian Hospital
- Hospital of the Univ. of Pennsylvania*
- Stanford Hospital and Clinics*

** Hospital either owned by the university or consolidated physician-hospital corporate structure*

8

Characteristics of Top Tier Health Systems that UT Southwestern Currently Lacks

- Integrated inpatient, outpatient, and physician healthcare delivery systems to provide seamless patient care in support of the institution's academic mission.
- Consolidated brand identity that links the reputation of our faculty to a specific referral hospital.
- Leverage with managed care payers to achieve premium rates for the hospital and physicians.
- Hospital access to capital for future growth and support of faculty clinical programs.
- Business models that provide for optimal maximization and sharing of revenues as high margin services migrate to the outpatient environment.

9

Summary: Benefits of Owning the University Hospitals

- Enhancement of research and educational missions
- Enhancement of patient care
- Enhanced local and national recognition
 - Improved quality of students, residents, and faculty
 - Increased market share
 - Facilitation of philanthropy
- Financial strength

10

Analysis of Financial Condition With Hospital Consolidation

Financial Ratio Summary of UT System

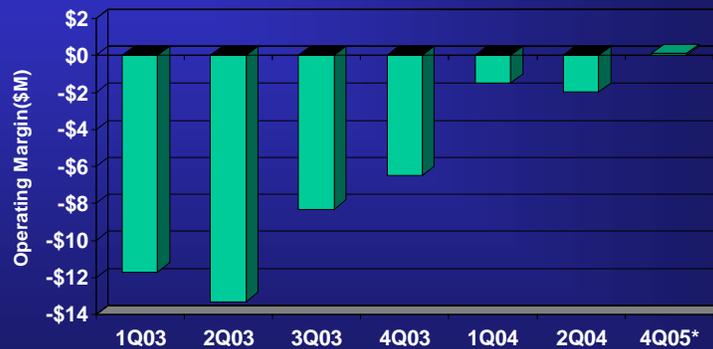
Financial Measure	FY03 UT System with FY05 UTSW <u>without</u> the Hospital	FY03 UT System with FY05 UTSW <u>with</u> the Hospital
Primary Reserve Ratio	173.95	170.11
Annual Operating Margin Ratio	1.2%	1.2%
Return on Net Assets Ratio	8.5%	8.4%
Expendable Resources to Total Net Assets Ratio	18.5%	18.7%
Debt Burden Ratio	2.5%	2.5%
Debt Service Coverage Ratio	4.6	4.5

11

**UT Southwestern
Can Successfully
Operate the Hospitals**

12

University Hospital Quarterly Results



*Quarter Operating margins beyond 2Q04 are based upon projections
(Note discontinuous time line)

13

Proposed Business Transaction

- Legal Structure
 - Fulbright and Jaworski legal counsel
 - Asset purchase
 - Fair market value (appraisal)
 - Residual assets ultimately gifted to the university
 - Separate dates for hospital transfers possible

14

Proposed Business Transaction

- Employees
 - Will become University employees
 - Key management positions filled
- Liabilities
 - Do not transfer to the University
 - Retired by seller corporations
 - Three year period for claims
 - Seller corporations to remain independent of UT System

15

Summary

- Consolidation and control of clinical facilities are essential for UT Southwestern to be able to develop comprehensively excellent clinical academic programs.
- The benefits of UT Southwestern assuming the responsibility for operating the university hospitals greatly exceed the risks.
- The potential risk/costs to UT Southwestern relate to negative operating margins at St. Paul that can be effectively managed.
- Access to UT System capital, liability protection, reduced duplication, improved operating efficiencies, enhanced contracting strength, and a regionally and nationally recognized identity for the combined clinical enterprise under the UT Southwestern name are important benefits individually; together they are overwhelmingly compelling.
- There is no other viable option.

16

MINUTES
U. T. Board of Regents
Facilities Planning and Construction Committee
August 11, 2004

The members of the Facilities Planning and Construction Committee of the Board of Regents of The University of Texas System convened at 4:05 p.m. on Wednesday, August 11, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, at U. T. M. D. Anderson Cancer Center, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following members of the committee in attendance and absent:

Attendance

Regent Barnhill, presiding
Vice-Chairman Clements
Vice-Chairman Hunt (present
for Item 1 only)
Regent Estrada

Absent

Regent Caven

Also present were Regent Craven, Regent Rowling, 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 Barnhill called the meeting to order.

Mr. Sidney J. Sanders, Assistant Vice Chancellor for Facilities Planning and Construction, presented a PowerPoint on design development plans and economic impact for Items 2 - 6 as attached on Pages 13.1 - 13.14.

1. U. T. System: Consideration of architecturally or historically significant projects

Committee Meeting Information

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

Status: Neither project was designated as architecturally or historically significant.

Agenda Item:

RECOMMENDATION

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

- **U. T. San Antonio:**

Recreation and Wellness Facilities, Phase II

Project Cost: \$44,000,000

Anticipated Delivery Method: Competitive Sealed Proposals
(See Item 6 on Page 46 of the Agenda Book)

Student Housing Expansion, Phase II

Proposed Project Cost: \$27,000,000

Current Project Cost: \$20,500,000

Anticipated Delivery Method: Competitive Sealed Proposals
(See Item 12 on Page 97 of the Agenda Book)

Discussion at meeting:

At the request of Committee Chairman Barnhill, Mr. Sanders described the discretionary power of the Board to declare any project architecturally significant. Neither project was selected as architecturally or historically significant.

2. **U. T. Austin: Experimental Science Building Renovation Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding source; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; resolution regarding parity debt; and redesignation of project as the Center for Nano and Molecular Science and Technology**

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Experimental Science Building Renovation Phase I and II project at The University of Texas at Austin as follows on Page 3.

Project Number: 102-906

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: July 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$35,000,000	\$28,000,000
	Unexpended Plant Funds		<u>\$10,000,000</u>
			<u>\$38,000,000</u>

Debt Service

The \$28,000,000 in Revenue Financing System debt will be repaid from Designated Tuition. Annual debt service on the project is estimated at \$1,926,551. Overall debt service coverage on projects funded through Designated Tuition is expected to be at least 3.2 times.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$35,000,000 to \$38,000,000;
- b. revise the funding sources;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;
- e. appropriate funds and authorize expenditure of funds;
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$28,000,000; and
- g. redesignate the project as the Center for Nano and Molecular Science and Technology.

Previous Board Actions

On November 13, 2002, the Board approved combining the Experimental Science Building Renovation Phase I and II projects with a preliminary project cost of \$35,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The Experimental Science Building Renovation Phase I was for the development of an overall program and cost estimate for subsequent phase work. The Experimental Science Building Renovation Phase II project will renovate a small portion of the existing building to support state-of-the-art research and teaching laboratories, classrooms, and offices. The addition to the north side of the building will provide approximately 53,000 gross square feet for research facilities and supporting office components for the Center for Nano and Molecular Science and Technology.

Approval of this item increases the total project cost to fund the additional project scope costs associated with providing all utilities to the site. U. T. Austin has requested the name change of the project to the Center for Nano and Molecular Science and Technology to better reflect the nature of the project.

The existing Experimental Science Building is a 50-year old building designed as a teaching and research building. The existing facility has had no additions and only small renovations of specific laboratories.

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.

3. U. T. Austin: MRI Imaging Center, Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise funding sources; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the MRI Imaging Center, Phase I and II project at The University of Texas at Austin as follows on Page 5.

Project Number: 102-197

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: January 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$5,500,000	\$ 850,000
	Revenue Financing System Bond Proceeds		\$2,550,000
	Unexpended Plant Funds		<u>\$2,100,000</u>
			<u>\$5,500,000</u>

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to revise the funding sources from \$5,500,000 from Grants to \$850,000 from Grants, \$2,550,000 from Revenue Financing System Bond Proceeds, and \$2,100,000 from Unexpended Plant Funds;
- b. approve design development plans;
- c. approve the evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$2,550,000.

Debt Service

The \$2,550,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$175,454. Debt service coverage on the project is expected to be at least 1.42 times.

Previous Board Actions

On February 4, 2004, the project was included in the CIP with a preliminary project cost of \$5,500,000 with funding from Grants.

Project Description

The MRI Imaging Center, Phase I and II at U. T. Austin will construct a facility containing approximately 9,000 gross square feet to house a 3-Tesla MRI. U. T. Austin will utilize the new MRI Imaging Center to focus on education and research in the fields of imaging, bio-behavioral substance abuse disorders, and bioengineering. Modifying the funding sources will more specifically reflect the financing for the project and will allow construction to start.

U. T. Austin has developed a relationship with the Central Texas Veterans Health Care System (CTVHCS) and The University of Texas Medical Branch at Galveston to establish a joint imaging center. CTVHCS will use the MRI Center primarily for research concerning the aging process, brain and spinal cord injuries, dementia and neuronal degeneration, major psychosis, mood disorder and stress, sensory disorder, and substance abuse. U. T. Medical Branch - Galveston substance abuse research focuses on brain-adaptive neurochemical responses that mediate the reward effects of abused drugs.

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.

4. U. T. Austin: New Residence Halls - Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; resolution regarding parity debt; and approval of honorific naming of facility as the Almetris Duren Residence Hall

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; Mr. Jay Barnes and Mr. Tommy Kosarek, Architects, BGK Architects (in attendance but did not present)

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the New Residence Halls – Phase II project at The University of Texas at Austin as follows on Page 7.

Project Number: 102-043

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: June 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$24,000,000	\$38,750,000
	Auxiliary Enterprise Balances	\$ 6,000,000	\$11,250,000
		\$30,000,000	\$50,000,000

Debt Service

The \$38,750,000 in Revenue Financing System debt will be repaid from net revenues of the housing system. Annual debt service on the project is estimated at \$2,666,209. Overall debt service coverage on projects funded through housing system revenues is expected to be at least 1.6 times.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$30,000,000 to \$50,000,000;
- b. approve design development plans;
- c. approve the evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds;
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project’s cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$38,750,000; and
- f. approve honorific naming as the Almetris Duren Residence Hall.

Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$30,000,000 with funding of \$24,000,000 from Revenue Financing System Bond Proceeds and \$6,000,000 from Auxiliary Enterprise Balances.

Project Description

The New Residence Halls – Phase II project at U. T. Austin will consist of 175,000 gross square feet of additional on-campus residence hall space. Common spaces include a multipurpose room, lounges, study rooms, a game room, a TV room, a laundry facility, an activity room, and mailbox areas. Approval of this item will increase the total project cost to fund the additional project scope associated with this site as a gateway to the University campus with additional costs for provision of utilities to the site and an increase in the number of student beds from 403 to 574.

U. T. Austin is significantly expanding its student housing because on-campus living is known to benefit students, particularly freshmen, by enhancing academic performance and persistence, GPA, retention rates, graduation rates, integration in the campus community, friendships with diverse peers, and overall development and satisfaction. Currently, U. T. Austin residence halls house approximately 6,700 students. This includes about 4,700 freshmen students and 1,900 upper-division students. U. T. Austin has a current goal to provide housing to 10,000 students on campus.

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.

The naming of the New Residence Halls – Phase II as the Almetris Duren Residence Hall will recognize the contributions and service of the late Mrs. Almetris Duren rendered to students, faculty, and staff. She served as housemother, friend, and advisor, and mentor to African-American students from 1956 to 1980. Almetris Duren's profound impact on the University community and her contributions to residence life are the reason the Division of Housing and Food Service wishes to name the proposed new housing complex in her honor. This naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities, and institutional guidelines on the naming of facilities.

Discussion at meeting:

U. T. Austin President Faulkner clarified this is a second phase to expand student housing to accommodate all freshmen who want to live on campus. He estimated 9,000 beds are needed and the campus is currently at 6,300 beds. This project would get the institution close to 7,000 beds.

President Faulkner pointed out the naming of the Residence Hall in honor of Mrs. Duren.

5. U. T. Health Science Center - San Antonio: Teaching/Learning Lab, Regional Academic Health Center (RAHC) Harlingen - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; Mr. Charles Sundin, Architect, FKP Architects, Inc. (in attendance but did not present)*

Status: *Approved*

Motion: *Moved, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. Board of Regents approve the recommendations for the Teaching/Learning Lab, RAHC Harlingen project for The University of Texas Health Science Center at San Antonio as follows:

Project Number: 402-137

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: May 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$25,500,000

Debt Service

Annual debt service on the \$25,500,000 of Tuition Revenue Bonds is projected to be \$2,223,206. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Recommendations

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. Health Science Center - San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$25,500,000.

Previous Board Actions

On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$25,500,000. The Regional Academic Health Center project was divided into four separate projects with three overseen by U. T. Health Science Center – San Antonio and one overseen by U. T. Health Science Center – Houston.

Project Description

The Teaching/Learning Lab, RAHC Harlingen will be a component of U. T. Health Science Center – San Antonio. This is the second building of a proposed complex of buildings of a multisite regional campus. The Harlingen location will serve as the headquarters of the Regional Academic Health Center, as well as a home base for medical training and educational programs. The 77th Session of the Texas Legislature authorized \$25,500,000 of Tuition Revenue Bonds to construct a teaching and learning laboratory in or near the City of Harlingen.

The new construction includes approximately 79,000 gross square feet to house the Outpatient Clinic. The clinic facilities will provide an educational opportunity for U. T. Health Science Center – San Antonio. Along with the Outpatient Clinic, the building will consist of educational space for medical students and residents, as well as a Clinical Research Center.

The Teaching/Learning Lab, RAHC Harlingen is a medical education and research endeavor in which programs are directed at distinctive regional needs and conducted in affiliation with health professionals and educational entities of the region. It operates as a geographically separate campus of U. T. Health Science Center - San Antonio's School of Medicine.

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.

Discussion at meeting:

Mr. Sanders said there is a lease agreement with the Veterans Administration (VA), which will lease about 40,000 square feet for a clinic to work with the medical residency program.

President Cigarroa said the VA Hospital has been a key component to the success and growth of the U. T. Health Science Center – San Antonio and the VA wants to replicate this partnership to the RAHC in Harlingen by

- *establishing a clinical venue for education of U. T. Health Science Center – San Antonio students*
- *housing a clinical research center*

He said the VA has expressed interest in salary support of faculty and scientists and the lease with the VA will help to defray operational costs of the second building and will provide more assurance to the long-term success of the RAHC. Construction of the second building will put the institution in a more competitive position for sponsored research programs.

Vice-Chairman Clements asked if Valley Baptist Hospital will fit into the plan and Dr. Cigarroa responded affirmatively, saying they will provide in-patient educational environment for students and they are supportive of the VA being a part of the RAHC. Dr. Cigarroa said the VA will provide the synergy needed.

Regent Estrada commented that the VA will pay the market rate for rent so it is a win-win situation.

6. U. T. Health Center - Tyler: Health Clinic - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: *Approved*

Motion: *Moved, seconded, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Calhoun that the U. T. Board of Regents approve the recommendations for the Health Clinic project for The University of Texas Health Center at Tyler as follows on Page 12.

Project Number: 801-209

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2005

Total Project Cost: Source Current
Revenue Financing System Bond Proceeds \$3,500,000

Debt Service

The \$3,500,000 in Revenue Financing System debt will be repaid from net revenues on the project. Annual debt service is projected to be \$280,849. Debt service coverage on the project is expected to be at least 1.6 times.

Recommendations

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Health Center - Tyler, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,500,000.

Previous Board Actions

On May 13, 2004, the project was included in the CIP with a preliminary project cost of \$3,500,000.

Project Description

The Health Clinic will be located on the U. T. Tyler campus. This project proposes to construct a 10,000 gross square feet, one-story facility incorporating outpatient clinic facilities for the general public, faculty, staff, and students of U. T. Tyler. The facility will include examination rooms, nurse and clerical work areas, medical records storage, teaching and testing areas, waiting rooms, and staff offices. An additional parking area will also be constructed adjacent to the facility.

U. T. Health Center – Tyler currently operates and leases two facilities in South Tyler and has been exploring different options for consolidating operations into one facility. This possibility, combined with the need to provide student, faculty, and staff health care on the U. T. Tyler campus, provides justification for a more permanent investment. In addition to being able to serve a greater patient

population in the new facility, U. T. Health Center – Tyler also expects a decrease in overhead costs as a result of the combined operation with the debt for financing repaid from patient care income. Furthermore, operations at this facility will provide an on-campus teaching forum for education and clinical research for students.

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.

Discussion at meeting:

President Mabry (U. T. Tyler) and President Calhoun (U. T. Health Center – Tyler) spoke in favor of the project.



THE UNIVERSITY OF TEXAS SYSTEM

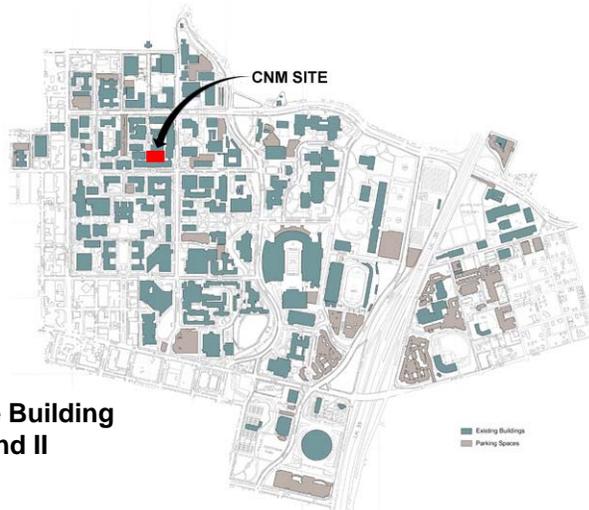
Design Approvals

August 11, 2004

Office of Facilities Planning and Construction

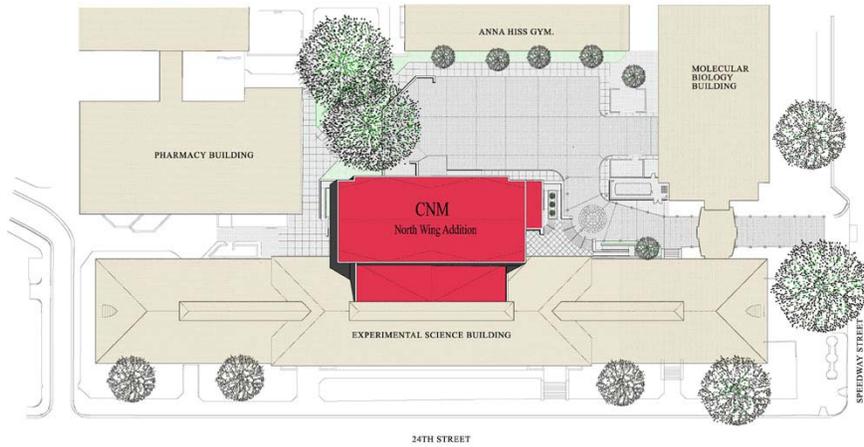


U. T. Austin—Experimental Science Building Renovation Phase I and II



**Experimental Science Building
Renovation Phase I and II**

Master Plan



**Experimental Science Building Renovation Phase I and II
Site Plan**



**Experimental Science Building Renovation Phase I and II
Perspective**

**Experimental Science
Building Renovation Phase I
and II**

Perspective



Estimated Economic Impact

Total project cost: \$38,000,000

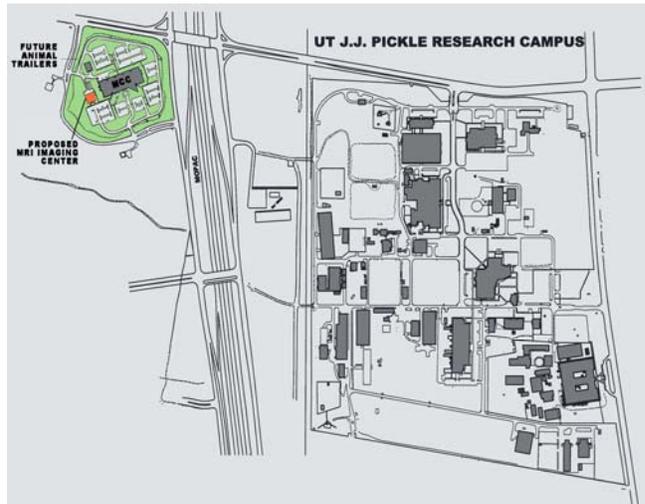
- **Construction economic impact** \$ 125,000,000
- **10-year earnings economic impact** \$ 62,000,000

Total estimated economic impact \$ 187,000,000

The University of Texas at Austin
Experimental Science Building Renovation Phase I and II



U. T. Austin—MRI Imaging Center Phase I and 2



**MRI Imaging Center
Phase I and 2
Master Plan**



**MRI Imaging Center Phase I and 2
Site Plan**



**MRI Imaging Center Phase I and 2
Perspective**



**MRI Imaging Center Phase I and 2
Perspective**

Estimated Economic Impact

Total project cost: \$ 5,500,000

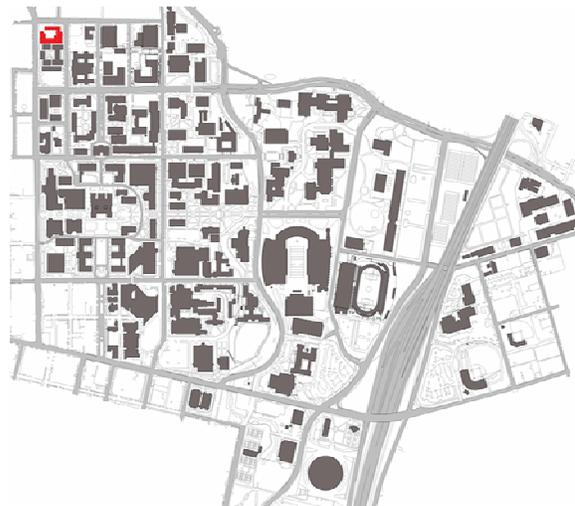
- Construction economic impact \$ 18,000,000
- 10-year earnings economic impact \$ 9,000,000

Total estimated economic impact \$ 27,000,000

The University of Texas at Austin
MRI Imaging Center Phase I and II



U. T. Austin New Residence Hall



New Residence Hall
Master Plan



**New Residence Hall
Site Plan**



**New Residence Hall
Northwest Corner**



**New Residence Hall
Perspective**



**New Residence Hall
Perspective**

Estimated Economic Impact

Total project cost: \$ 50,000,000

- Construction economic impact \$ 165,000,000
- 10-year earnings economic impact \$ 45,000,000

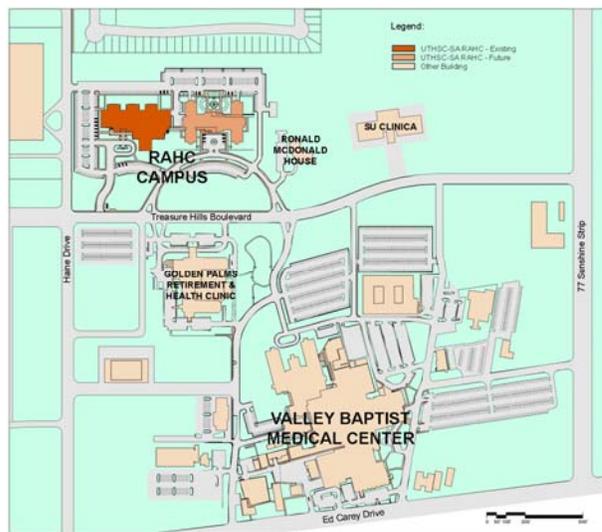
Total estimated economic impact \$ **210,000,000**

The University of Texas at Austin
New Residence Hall



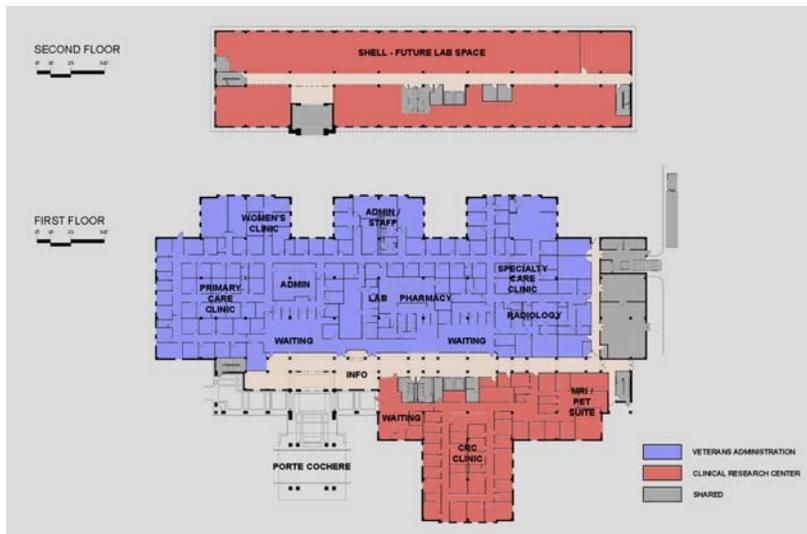
U. T. Health Science Center – San Antonio Teaching/Learning Lab, RAHC Harlingen

Teaching/Learning
Lab, RAHC Harlingen
Master Plan





**Teaching/Learning Lab, RAHC Harlingen
Site Plan**



**Teaching/Learning Lab, RAHC Harlingen
Floor Plan**



**Teaching/Learning Lab, RAHC Harlingen
Perspective**

Estimated Economic Impact

Total project cost: \$ 25,500,000

- **Construction economic impact** \$ 84,000,000
- **10-year earnings economic impact** \$ 217,000,000

Total estimated economic impact \$ 301,000,000

The University of Texas Health Science Center – San Antonio
Teaching/Learning Lab, RAHC Harlingen



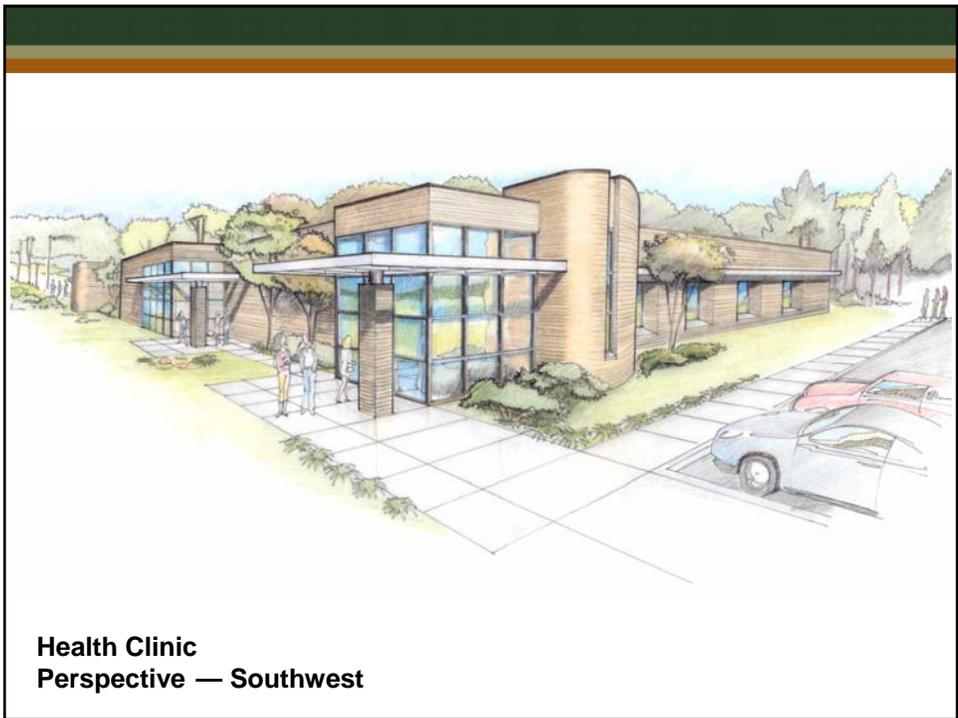
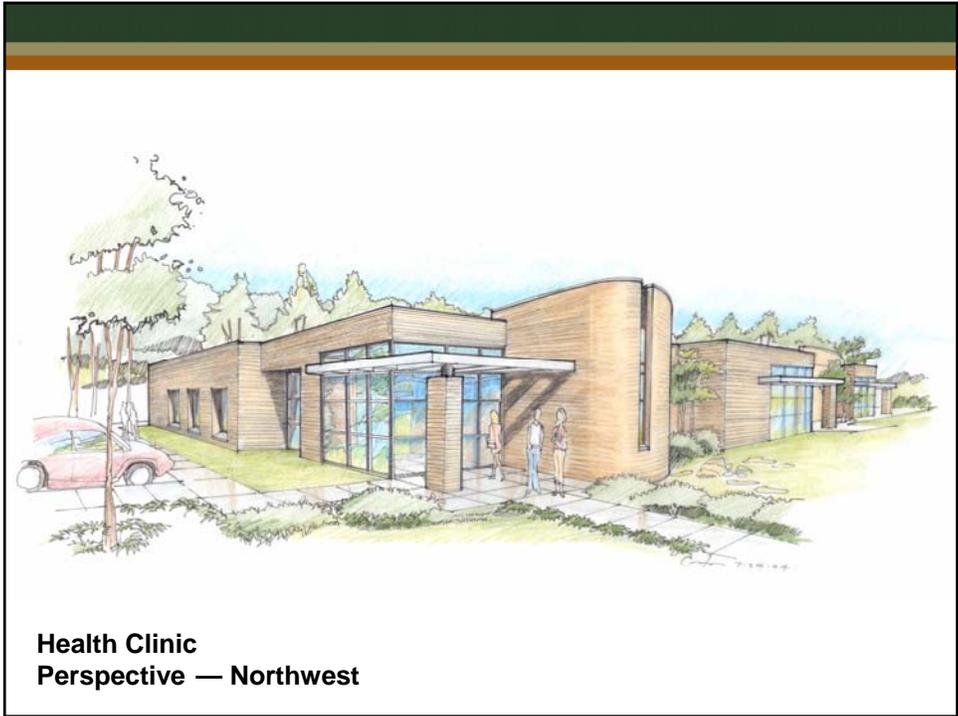
U. T. Health Center – Tyler Health Clinic



**Health Clinic
Master Plan**



**Health Clinic
Site Plan**



Estimated Economic Impact

Total project cost: \$ 3,500,000

- Construction economic impact \$ 12,000,000
- 10-year earnings economic impact \$ 25,000,000

Total estimated economic impact \$ **37,000,000**

The University of Texas Health Center – Tyler
Health Clinic

7. U. T. System: Honorific naming of the Bauer House Pavilion as the Charmaine and Frank Denius Pavilion at Bauer House

Committee Meeting Information

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

Status: *Approved*

Motion: *Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for External Relations that the U. T. Board of Regents approve the naming of the Bauer House Pavilion at U. T. System as the Charmaine and Frank Denius Pavilion at Bauer House.

BACKGROUND INFORMATION

Bauer House Pavilion is a small structure on the grounds of the Bauer House property, the official residence of the Chancellor. The Pavilion has not been used in recent years due to mold infestation and broken plumbing lines below the foundation. The rebuilding of this small facility will allow the new structure to serve as a meeting room and a place to host community events and dinners for larger numbers of individuals than those which can currently be served. The Pavilion will accommodate up to 60 people for a seated event or 150 people for a reception.

Mr. and Mrs. Denius generously provided funding of \$300,000, a majority of the total project cost, in support of this project through their family foundation, the Cain Foundation. The Deniuses are longtime donors and supporters of The University of Texas. Mr. Frank Denius is immediate past Chairman of the Chancellor's Council and member of the Chancellor's Council Executive Committee. He is a distinguished alumnus of The University of Texas at Austin where he also served as a past president of the Ex-Students' Association, former Chair of the Austin Leadership Council, and is a current member of the Commission of 125.

The proposed naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities.

8. U. T. Arlington: Honorific naming of the Chemistry Research Building as the W. A. Baker Chemistry Research Building

Committee Meeting Information

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

Status: *Approved*

Motion: *Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. Board of Regents approve the naming of the Chemistry Research Building at U. T. Arlington as the W. A. Baker Chemistry Research Building.

BACKGROUND INFORMATION

The Chemistry Research Building at U. T. Arlington was constructed in 1996 with approximately 67,000 gross square feet used predominantly for graduate and sponsored research by the Chemistry Department.

Dr. W. A. Baker graduated from Texas College of Arts and Industries with a B.S. in 1955 and graduated from U. T. Austin with a Ph.D. in 1959. He was chairman of the Chemistry Department at Syracuse University from 1965 until January 1971. Dr. Baker was Vice President for Academic Affairs at U. T. Arlington from 1973 to 1993 during which time the University experienced unprecedented growth and expansion. Dr. Baker was instrumental in the academic advancements and the University's emergence as a research university. Vice President Baker was directly involved in securing approval for the construction of the Chemistry Research Building. Dr. Baker also served as Provost and Vice President for Academic Affairs at U. T. Tyler.

The proposed naming of the Chemistry Research Building at U. T. Arlington to recognize the distinguished service of Dr. W. A. Baker is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

9. U. T. Austin: Benedict/Mezes/Batts Renovation Phase I and II – Amendment of FY 2004-2009 Capital Improvement Program and FY 2004-2005 Capital Budget to reduce appropriation of funds; approval to increase funding source; appropriation of funding and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Benedict/Mezes/Batts Renovation Phase I and II project at The University of Texas at Austin as set forth below:

Project Number: 102-027

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: July 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$30,000,000	\$48,000,000
	Designated Tuition	<u>\$18,000,000</u>	
		\$48,000,000	

Debt Service

The \$18,000,000 in Revenue Financing System debt will be repaid from Designated Tuition. Annual debt service on the project is estimated at \$1,238,497. Overall debt service coverage on projects funded through Designated Tuition is expected to be at least 3.2 times.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to reduce the appropriation of \$18,000,000 from Designated Tuition;
- b. increase the funding source from \$30,000,000 to \$48,000,000 from Revenue Financing System Bond Proceeds;
- c. appropriate funds and authorize expenditure of additional funds of \$18,000,000; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of additional tax-exempt parity debt in the aggregate amount of \$18,000,000.

Previous Board Actions

On November 10, 1999, the Phase I project was authorized for inclusion in the CIP at a preliminary project cost of \$6,000,000 with funding from Designated Tuition. On August 8, 2001, the Phase I project was revised to increase the preliminary project cost to \$32,000,000 with funding from Designated Tuition. On May 9, 2002, the Board approved the design development for Phase I with a total project cost of \$32,000,000 with funding from Designated Tuition. On November 13, 2002, the Board reduced the Phase I total project cost to \$30,000,000, revised the funding source from Designated Tuition to Revenue Financing System Bond Proceeds, and authorized appropriation of funds in the amount of \$30,000,000 from Revenue Financing System Bond Proceeds. On November 12, 2003, the Board approved combining the Benedict/Mezes/Batts Renovation Phase I and II projects and increased the total project cost to \$48,000,000 with additional funding of \$18,000,000 from Designated Tuition.

Project Description

The Phase I renovation work for Benedict Hall and Mezes Hall was substantially completed in June 2004. The Phase II work started in June 2004 and will include renovation of classrooms and offices in Batts Hall. The decrease in the Designated Tuition funding source allows construction to continue in a timely manner with the appropriation of additional Revenue Financing System Bond Proceeds in the amount of \$18,000,000.

Benedict Hall, Mezes Hall, and Batts Hall form the eastern edge of the buildings on the south mall of the central campus and comprise approximately 110,000 gross square feet of classroom/lab instruction space and faculty office space. The buildings have not been renovated since they were occupied in 1951. The renovation includes all modifications necessary to comply with applicable life safety code provisions. The infill building between Benedict Hall and Mezes Hall will link the buildings, adding 20,000 gross square feet and improving traffic circulation.

10. U. T. El Paso: Parking Garage ID#, P-4 and New Bookstore - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects as the Parking Garage and Bookstore and revise total project cost

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. Board of Regents approve the recommendations for the Parking Garage ID#, P-4 project and the New Bookstore project at The University of Texas at El Paso as follows:

Project Numbers: 201-184 (Parking Garage ID#, P-4) / 201-186 (New Bookstore)

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: May 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>
Parking Garage ID#, P-4	Revenue Financing System Bond Proceeds	\$25,000,000

Total Project Cost:	<u>Source</u>	<u>Current</u>
New Bookstore	Auxiliary Enterprise Balances	\$ 4,950,000

Combined Total Project Cost:	<u>Source</u>	<u>Proposed</u>
Parking Garage and Bookstore	Revenue Financing System Bond Proceeds	\$25,000,000
	Auxiliary Enterprise Balances	<u>\$ 4,950,000</u>
		\$29,950,000

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Parking Garage ID#, P-4 project, and the New Bookstore project to be designated as the Parking Garage and Bookstore; and
- b. revise the preliminary project cost.

Previous Board Actions

On August 7, 2003, the Parking Garage ID#, P-4 project was included in the CIP with a preliminary project cost of \$25,000,000 and the New Bookstore project was included in the CIP with a preliminary project cost of \$4,950,000.

Project Description

U. T. El Paso has requested that the two projects be combined to better reflect the scope of the work. The parking garage will contain approximately 500 parking spaces and will house a bookstore in the ground level which will be approximately 28,000 gross square feet.

11. U. T. Permian Basin: Baseball Field - Honorific naming of complex as the Ted and Jan Roden Field

Committee Meeting Information

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

Status: *Approved*

Motion: *Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the U. T. Board of Regents approve the naming of the Baseball Field at U. T. Permian Basin as the Ted and Jan Roden Field.

BACKGROUND INFORMATION

The construction of the baseball field for the new men's club/intercollegiate baseball team will be completed in November 2004. The first phase of the facility will consist of the field, an infield practice area, and grass-covered berms for seating built on 230,500 gross square feet at a total project cost of \$650,000.

U. T. Permian Basin wishes to name the complex to recognize the gift of \$200,000 from Mr. and Mrs. Ted G. Roden. Mr. Roden is a longtime Odessa business and civic leader and philanthropist. He is a 1943 graduate of U. T. Austin with a B.S. in Chemical Engineering. He helped to facilitate the location of U. T. Permian Basin in Odessa and to acquire its four-year status, and he continues to serve on the Development Board. Standard Sales Company honored Mr. Roden by establishing and permanently endowing the Ted G. Roden Presidential Scholarship in Business at U. T. Permian Basin.

Mr. and Mrs. Roden also established the Ted and Jan Roden Center of Excellence in Engineering Leadership at U. T. Austin. A number of namings for Roden family members, from faculty chairs to art collections, are visible at U. T. Permian Basin.

The naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities, and institutional guidelines on the naming of facilities.

12. U. T. San Antonio: Student Housing Expansion, Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendation for the Student Housing Expansion, Phase II project at The University of Texas at San Antonio as follows:

Project Number: 401-211

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$20,500,000	\$27,000,000

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the preliminary project cost from \$20,500,000 to \$27,000,000.

Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$20,500,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

U. T. San Antonio is increasing the scope of the project to construct 200 more beds, bringing the total to 700 beds. The project will be apartment-style student housing. Based on extensive research, this facility will be designed to incorporate shared living spaces, meeting rooms, lounges, and study rooms.

U. T. San Antonio is expanding its student housing. Current student housing occupies 1,965 beds. The Student Housing Phase I project will provide housing for an additional 500 students with scheduled occupancy for the Fall Semester 2004. The waiting list currently stands at 500 students. The Student Housing Phase II project is scheduled for occupancy for the Fall Semester 2006.

13. U. T. Tyler: Louise Herrington Patriot Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to reduce appropriation of funds; approval to increase funding source; approval to revise funding source; and appropriation of funding and authorization of expenditure

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations for the Louise Herrington Patriot Center project at The University of Texas at Tyler as set forth below:

Project Number: 802-019

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2003

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$ 9,700,000	\$ 9,700,000
	Revenue Financing System Bond Proceeds	\$ 6,000,000	\$ 900,000
	Gifts	\$ 3,600,000	\$ 8,545,933
	Auxiliary Enterprise Balances		\$ 154,067
		<u>\$19,300,000</u>	<u>\$19,300,000</u>

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to decrease the appropriation of \$6,000,000 to \$900,000 from Revenue Financing System Bond Proceeds;
- b. increase the funding source from \$3,600,000 to \$8,545,933 from Gifts;
- c. revise the funding source to include Auxiliary Enterprise Balances in the amount of \$154,067; and
- d. appropriate funds and authorize expenditure of funds.

Previous Board Actions

On January 20, 2000, the Executive Committee of the Board allocated \$9,700,000 from Permanent University Fund Bond Proceeds for the Student Health and Kinesiology Building project. On February 9, 2000, the project was included in the CIP with a preliminary project cost of \$19,300,000

with funding of \$9,600,000 from Gifts and \$9,700,000 from Permanent University Fund Bond Proceeds. On February 15, 2001, the Board approved design development plans and a total project cost of \$19,300,000 with funding of \$9,600,000 from Gifts and \$9,700,000 from Permanent University Fund Bond Proceeds. On November 8, 2001, the Board approved revising the funding sources to \$9,700,000 from Permanent University Fund Bond Proceeds, \$6,000,000 from Revenue Financing System Bond Proceeds, and \$3,600,000 from Gifts, and appropriated the funding of \$6,000,000 from Revenue Financing System Bond Proceeds. On July 22, 2002, the Chancellor approved the redesignation of the project as the Patriot Center. On August 7, 2003, the Board approved the honorific naming of the project as the Louise Herrington Patriot Center.

Project Description

U. T. Tyler requests approval to revise the funding to reflect the actual and final funding to close out the completed project.

The Louise Herrington Patriot Center consists of approximately 127,000 gross square feet of classrooms, labs, offices, and recreational space.

14. U. T. Tyler: Patriot Village - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: *Approved*

Motion: *Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations for the Patriot Village project at The University of Texas at Tyler as follows:

Project Number: 802-171

Architecturally or Historically Significant: Yes No

Project Delivery Method: Design/Build

Substantial Completion Date: July 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$7,200,000	\$10,800,000

Debt Service

The \$3,600,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$743,098. Debt service coverage on the project is expected to be at least 1.3 times.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$7,200,000 to \$10,800,000;
- b. appropriate additional funds and authorize expenditure of funds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Tyler, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,600,000.

Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$7,200,000 with funding from Revenue Financing System Bond Proceeds. On November 13, 2003, the Board approved the design development plans and a total project cost of \$7,200,000. On March 31, 2004, the Chancellor, under delegated authority from the Board, approved the nonhonorific naming of the Student Apartments project as Patriot Village.

Project Description

U. T. Tyler is requesting an increase in the total project cost of \$3,600,000 from Revenue Financing System Bond Proceeds for the construction of an additional apartment building at the complex and related site improvements to increase from 200 to 300 beds. The current housing is fully occupied.

Enrollment expansion and enhanced character of student life on campus has increased demand to require housing for upper-and lower-division students. This apartment style housing is the first housing project to be directly managed by U. T. Tyler and supports the continued growth at U. T. Tyler. Currently, the University Pines Apartments, a privately developed and managed housing complex, is the only housing available to students. With the completion of the Patriot Village and Student Dormitory project, approximately 600 beds will be added to meet the campus master plan that anticipates housing for approximately 950 students.

15. U. T. Tyler: Student Dormitory and Academic Excellence Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations for the Student Dormitory and Academic Excellence Center project at The University of Texas at Tyler as follows:

Project Number: 802-166

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 8,000,000	\$13,884,000
	Gifts	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
		\$11,000,000	\$16,884,000

Debt Service

The \$5,884,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$955,294. Debt service coverage on the project is expected to be at least 1.15 times and average 1.42 times over the first 10 years.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$11,000,000 to \$16,884,000;
- b. appropriate additional funds and authorize expenditure of funds; and

c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. Tyler, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,884,000.

Previous Board Actions

On February 13, 2003, the project was included in the CIP with a preliminary project cost of \$11,000,000 with funding of \$8,000,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Gifts.

On November 13, 2003, the Board approved the design development plans and a total project cost of \$11,000,000 with funding of \$8,000,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Gifts.

Project Description

U. T. Tyler is requesting an increase in the total project cost of \$5,884,000 from Revenue Financing System Bond Proceeds to increase the number of beds from 200 to 268 to allow for the additional design configuration.

This is the first student dormitory at U. T. Tyler. The dormitory project will consist of housing for approximately 200 students and will include lounge areas, centralized laundry facilities and kitchen, and offices for dormitory staff. The Academic Excellence Center will consist of a large meeting room and smaller breakout rooms and will be connected to the dormitory on the first floor.

Enrollment growth over the last few years and future projected growth at the U. T. Tyler campus have resulted in increased demand to provide new living facilities for undergraduate students. Currently, the University Pines Apartments, a privately developed and managed housing complex, is the only housing available to students. With the completion of the Patriot Village and Student Dormitory project, approximately 600 beds will be added to meet the campus master plan that anticipates housing for approximately 950 students.

16. U. T. Health Science Center - Houston: Basic Science Research Building and Medical School Building - Rooftop Vivarium and Exterior Elevator - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects and redesignate as the Replacement Research Facility and revise total project cost

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents approve the recommendations for the Basic Science Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project at The University of Texas Health Science Center at Houston as set forth below:

Project Number: 701-160

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
Basic Science Research Building	Revenue Financing System Bond Proceeds	\$20,000,000
	Tuition Revenue Bond Proceeds	\$30,000,000
	Gifts	<u>\$30,000,000</u>
		\$80,000,000

Total Project Cost:	<u>Source</u>	<u>Current</u>
Medical School Building – Rooftop Vivarium and Exterior Elevator	Gifts	\$ 6,000,000
	Tuition Revenue Bond Proceeds	\$ 7,300,000
	Insurance Claims	<u>\$24,700,000</u>
		\$38,000,000

Revised Total Project Cost:	<u>Source</u>	<u>Proposed</u>
Replacement Research Facility Project	Tuition Revenue Bond Proceeds	\$23,600,000
	Gifts	\$ 9,330,000
	Insurance Claims	\$16,600,000
	Grants	<u>\$ 6,000,000</u>
		\$55,530,000

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Basic Science Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project to be redesignated as the Replacement Research Facility; and
- b. revise the total project cost.

Previous Board Actions

Medical School Building – Rooftop Vivarium and Exterior Elevator: On November 13, 2002, the Vivarium project was added to the CIP with a preliminary project cost of \$38,000,000. On August 7, 2003, the Board approved appropriation of \$7,300,000 from Tuition Revenue Bond Proceeds for the Vivarium project.

Basic Science Research Building: On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$80,000,000.

Project Description

The Replacement Research Facility project is the first phase of the Institute of Molecular Medicine and will be a six-story building consisting of 208,000 gross square feet of laboratory and vivarium with supporting areas to follow the completion of the Research Expansion Project (see Item 17 on Page 103 of the Agenda Book). This building will replace the existing two-story John Freeman Building. In addition to highly flexible biotechnology laboratory and animal facilities, the building will house office space, mechanical rooms, and break rooms.

The vivarium will occupy the top two floors with the bottom four floors being laboratory floors. There will be a dedicated loading dock for support of the vivarium facility and a mechanical penthouse.

During the 78th Session, the Texas Legislature authorized \$64,900,000 of tuition revenue bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,600,000 is being allocated for the Basic Science Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project. The use of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

17. U. T. Health Science Center - Houston: Research Expansion Project - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise funding source; reduce appropriation of funds; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents approve the recommendations for the Research Expansion Project at The University of Texas Health Science Center at Houston as follows:

Project Number: 701-059

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: August 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Tuition Revenue Bond Proceeds		\$ 15,000,000
	Permanent University Fund Bond Proceeds	\$ 50,000,000	\$ 50,000,000
	Gifts	<u>\$ 70,000,000</u>	<u>\$ 55,000,000</u>
		\$120,000,000	\$120,000,000

Debt Service

Annual debt service on the \$15,000,000 of Tuition Revenue Bonds is projected to be \$1,307,768. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to revise the funding source to include Tuition Revenue Bond Proceeds in the amount of \$15,000,000;
- b. reduce the appropriation from Gifts from \$70,000,000 to \$55,000,000;
- c. appropriate funds and authorize expenditure of funds; and

- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$15,000,000.

Previous Board Actions

On November 10, 1999, the project was included in the CIP with a preliminary project cost of \$120,000,000 with funding of \$21,000,000 from Permanent University Fund Bond Proceeds and \$99,000,000 from Gifts. On January 20, 2000, the Executive Committee of the Board allocated \$50,000,000 from Permanent University Fund Bond Proceeds for the project. On January 9, 2002, the Board designated the project as architecturally significant. On November 13, 2002, the Board approved revising the source of funding. On February 13, 2003, the project received design development approval.

Project Description

This new building is the second phase of the Institute of Molecular Medicine and will be a comprehensive basic research facility of 206,000 gross square feet, designed to support research and collaboration in the area of molecular medicine. The facility will house dry and wet laboratories, offices, conferencing areas, and a 200-seat assembly facility. A vivarium capable of supporting a transgenic rodent colony will be included. The facility will house 80 to 100 Principal Investigators (PI). Each PI will support four or five researchers including graduate assistants, lab technicians, and postdoctoral fellows. Office and conference room support will be provided. The first phase of the Institute of Molecular Medicine is the Replacement Research Facility (see Item 16 on Page 101 of the Agenda Book).

During the 78th Session, the Texas Legislature authorized \$64,900,000 of Tuition Revenue Bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$15,000,000 is being allocated to the Research Expansion Project. The use of the \$15,000,000 of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

18. U. T. Health Science Center - Houston: Completion of Medical School Building Hazard Mitigation and Repair of the Medical School Building, Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; revise total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents approve the recommendations for the Completion of Medical School Building Hazard Mitigation project and the Repair of the Medical School Building, Phase I at The University of Texas Health Science Center at Houston as follows:

Institutionally Managed: Yes No

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: March 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
Completion of MSB Hazard Mitigation	Tuition Revenue Bond Proceeds	\$10,000,000

Total Project Cost:	<u>Source</u>	<u>Current</u>
Repair of the Medical School Building, Phase I	Tuition Revenue Bond Proceeds	\$15,100,000
	Insurance Claims	<u>\$34,900,000</u>
		\$50,000,000

Revised Total Project Cost:	<u>Source</u>	<u>Proposed</u>
Repair of the Medical School Building, Phase I	Tuition Revenue Bond Proceeds	\$23,800,000
	Insurance Claims	<u>\$36,200,000</u>
		\$60,000,000

Debt Service

Annual debt service on the \$23,800,000 of Tuition Revenue Bonds is projected to be \$2,074,992. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Completion of Medical School Building Hazard Mitigation project and the Repair of the Medical School Building, Phase I project into the Repair of the Medical School Building Phase I project;
- b. revise the total project cost to \$60,000,000;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
 - U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$8,700,000.

Previous Board Actions

On February 14, 2002, the Repair of the Medical School Building, Phase I project was included in the CIP with a preliminary project cost of \$20,000,000 and was authorized for institutional management. On May 9, 2002, the Board increased the total project cost to \$50,000,000 and appropriated funding. On August 7, 2003, the Completion of the MSB Hazard Mitigation project was included in the CIP with a preliminary project cost of \$10,000,000 and was authorized for institutional management.

Project Description

During the 78th Session, the Texas Legislature authorized \$64,900,000 of Tuition Revenue Bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,800,000 is being allocated to the Repair of the Medical School Building, Phase I project.

The Completion of MSB Hazard Mitigation is part of the project underway to protect against future disasters since Tropical Storm Allison. The work involves installation of a hydrostatic wall and relocation of the imaging center. The Repair of the Medical School Building, Phase I project will restore basic building infrastructure. The basement was rendered totally unusable by storm damage. The project includes demolition of the basement, installation of new air handling units, and installation of electrical distribution systems, as well as build back and reconfiguration of the basement and ground floors.

The combining of the two projects revises the project scope to add the mitigation of the primary electrical feed to the Medical School Building and the reconstruction of the balance of space in the Medical School Basement as the final phase of the institution's managed-recovery program.

19. U. T. M. D. Anderson Cancer Center: U. T. Research Park Infrastructure Improvements - Appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

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

Status: Approved

Motion: Moved by Regent Estrada, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

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

Institutionally Managed: Yes No

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: December 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$20,000,000

Debt Service

Annual debt service on the \$20,000,000 of Tuition Revenue Bonds is projected to be \$1,743,691. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Recommendations

- a. appropriate funds and authorize expenditure of funds; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and

- U. T. M. D. Anderson Cancer Center, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$20,000,000.

Previous Board Actions

On August 7, 2003, the project was included in the Capital Improvement Program with a preliminary project cost of \$20,000,000 with funding from Tuition Revenue Bond Proceeds and authorized for institutional management.

Project Description

The U. T. Research Park Infrastructure Improvements project at U. T. M. D. Anderson Cancer Center involves development of the south campus, including roadways, underground detention and storm water systems, water and sanitation systems, underground telecommunications, underground off-site electrical, demolition, landscaping, and lighting. Street, utility, and storm drainage systems must be in place before the buildings are constructed to support biotechnology research and development needs.

During the 78th Session, the Texas Legislature authorized \$20,000,000 of Tuition Revenue Bonds for U. T. M. D. Anderson Cancer Center to fund capital costs related to biotechnology research and development facilities.

ADJOURNMENT

Committee Chairman Barnhill announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 4:45 p.m.