

Meeting No. 925

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

Pages 1 - 105

November 10-11, 1999

Dallas, Texas

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 OF
 THE UNIVERSITY OF TEXAS SYSTEM
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 DALLAS, TEXAS

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MEETING NO. 925

WEDNESDAY, NOVEMBER 10, 1999.--The members of the Board of Regents of The University of Texas System convened at 1:15 p.m. on Wednesday, November 10, 1999, in Obelisk Room B in the Wyndham Anatole Hotel, 2201 Stemmons Freeway, Dallas, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Evans, presiding	
Vice-Chairman Loeffler	
Vice-Chairman Clements	
Regent Hunt	
Regent Miller	
Regent Oxford	
Regent Riter	
Regent Romero	
Regent Sanchez	
Executive Secretary Frederick	

Chairman Evans announced a quorum present and called the meeting to order to discuss the Fiscal Year 2000-2005 Capital Improvement Program (CIP) and Fiscal Year 2000-2001 Capital Budget. Chancellor Cunningham announced that discussion of the CIP, usually considered by the Board of Regents at the meeting in August, was delayed due to the vote on November 2, 1999, of Proposition 17 which amended Article VII, Section 18 of the Texas Constitution to provide new resources for higher education. Chancellor Cunningham stated that Proposition 17 will affect the CIP in many important ways and if the Board adopted the 4.5% distribution of the Permanent University Fund (PUF) to the Available University Fund at its meeting tomorrow (November 11), an additional bonding capacity of approximately \$240 million would be available.

With the aid of a PowerPoint presentation, Executive Vice Chancellor Burck reviewed the proposed CIP and Capital Budget which was before the Board in a separate volume entitled "[The University of Texas System Capital Improvement Program FY 2000-2005 \(Including Capital Budget for FY 2000-2001\)](#)" which is on file in the Office of the Board of Regents. He said that the Board would be asked to adopt the CIP and approve the Capital Budget at tomorrow's (November 11) meeting and emphasized that the CIP does not contain any construction or repair and rehabilitation projects funded with Permanent University Funds. Executive Vice Chancellor Burck announced that in February 2000, the U. T. System planned to recommend to the Board PUF funding for projects, including the additional funds available from Proposition 17.

Chairman Evans thanked Executive Vice Chancellor Burck and his staff and the component presidents who made presentations on capital improvement priorities and noted that this step is important to the long-range planning of the U. T. System.

Chancellor Cunningham recommended a revised process for approval of PUF-funded projects, and possibly all projects, starting in February 2000. The process will involve review by the Academic Affairs Committee or the Health Affairs Committee as appropriate and will give the Board more interaction on projects. Chairman Evans requested that the Chancellor also be actively involved in the project review prior to presentation to the respective Committee.

Academic Affairs Committee Chairman Miller endorsed both the process and the Board Chairman's recommendation and Health Affairs Committee Chairman Loeffler endorsed the review so that committee members may speak with greater understanding on the issues.

Regent Miller urged that the current payout ratio of 4.5% be revisited as well as the proportion of the Available University Fund distributed to The University of Texas at Austin.

RECESS.--At 4:10 p.m., the Board recessed to reconvene in open session at 8:30 a.m. on Thursday, November 11, 1999, in Room NB2.100A of the Simmons Biomedical Research Building at The University of Texas Southwestern Medical Center at Dallas in Dallas, Texas.

THURSDAY, NOVEMBER 11, 1999.--The members of the Board of Regents of The University of Texas System convened at 8:32 a.m. on Thursday, November 11, 1999, in Room NB2.100A of the Simmons Biomedical Research Building at The University of Texas Southwestern Medical Center at Dallas in Dallas, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Evans, presiding	*Regent Oxford
Vice-Chairman Loeffler	
Vice-Chairman Clements	
Regent Hunt	
Regent Miller	
Regent Riter	
Regent Romero	
Regent Sanchez	

Executive Secretary Frederick

Chairman Evans announced a quorum present and called the meeting to order.

RECESS TO EXECUTIVE SESSION.--At 8:32 a.m., Chairman Evans announced that the Board would recess to convene in Executive Session pursuant to Texas Government Code Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 9:53 a.m., the Board reconvened in open session.

*Regent Oxford was excused due to a previous commitment.

WELCOME BY KERN WILDENTHAL, M.D., PRESIDENT OF THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS.--Chairman Evans stated that the Board was pleased to be meeting at The University of Texas Southwestern Medical Center at Dallas and was especially delighted to participate last evening in the event at the Fairmont Hotel hosted by the Southwestern Medical Foundation and U. T. Southwestern Medical Center - Dallas to honor the many supporters of this great institution, particularly Mr. and Mrs. Edmund M. Hoffman, the 1999 Recipients of the Charles Cameron Sprague Community Service Award. Chairman Evans expressed deep appreciation to the Southwestern Medical Foundation for its ongoing and generous support of this institution and called on Kern Wildenthal, M.D., President of U. T. Southwestern Medical Center - Dallas, who, on behalf of the faculty, staff, and students of the institution welcomed the members of the Board and other guests to the campus. In his overview of this component of the U. T. System, Dr. Wildenthal said that U. T.'s six health institutions are the cream of the crop in Texas and stated that medical research has an unparalleled opportunity at this time. He emphasized that the explosive growth in research at U. T. Southwestern Medical Center - Dallas will require more physical space to maintain the rapid rate of growth. A copy of [Dr. Wildenthal's slide presentation](#) is on file in the Office of the Board of Regents.

Dr. Wildenthal pointed out that the Board had a unique opportunity to hear from four Nobel Prize winners who are on the faculty of the institution: Michael S. Brown, M.D., Johann Deisenhofer, Ph.D., Alfred G. Gilman, M.D., Ph.D., and Joseph L. Goldstein, M.D. Each Nobel laureate spoke briefly about their work and commended the stimulating spirit in place on the campus which, they said, cannot easily be reproduced. They spoke unanimously of the almost frightening, but exciting, explosive growth in the medical field due to the Human Genome Project which will provide the remaining 95% of the blueprint on sequencing of DNA, now unknown, within the next two years. They noted that this knowledge will lead to dramatic changes in human life and predicted that within the next decade or two, humans will not experience life-threatening diseases such as cancer that are common today. There was discussion about the pharmaceutical industry gearing up for new opportunities in research for drugs that would block diseases such as cancer. The Regental Professors spoke of the need to attract researchers to the University and endorsed President Wildenthal's request to stay ahead of the curve on space needs by asking for new space to leverage funds to attract researchers.

Chairman Evans thanked President Wildenthal and Nobel laureates Brown, Deisenhofer, Gilman, and Goldstein for their outstanding presentations and announced that the open session would continue in Room NB2.402/2.403.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON AUGUST 12, 1999, AND SPECIAL MEETING HELD ON SEPTEMBER 3, 1999.--Upon motion of Regent Hunt, seconded by Regent Riter, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on August 12, 1999, in Galveston, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLVI, Pages 1139 - 1559.

Upon motion of Vice-Chairman Loeffler, seconded by Vice-Chairman Clements, the Minutes of the special meeting of the Board of Regents of The University of Texas System held on September 3, 1999, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLVII, Pages 1 - 10.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

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

1. U. T. Southwestern Medical Center - Dallas: Settlement of Medical Liability Litigation - Flent Ballantyne, Individually and as Next Friend for Steven Flent Ballantyne, Keeton Alden Ballantyne, and Logan McLaen Ballantyne, Minors, and as Representative of the Estate of Laurie Sue Ballantyne, Deceased.--Vice-Chairman Clements moved that the Chancellor and the Office of General Counsel be authorized to settle, on behalf of The University of Texas Southwestern Medical Center at Dallas, the medical liability litigation brought by Flent Ballantyne in accordance with the proposal presented in Executive Session.

The motion was duly seconded and carried without objection.

2. U. T. Medical Branch - Galveston: Settlement of Medical Liability Litigation - Ramiro and Gretchen Maza.--Upon motion of Regent Hunt, duly seconded, the Chancellor and the Office of General Counsel were authorized to settle on behalf of The University of Texas Medical Branch at Galveston, the medical liability litigation brought by Ramiro and Gretchen Maza in accordance with the proposal presented in Executive Session.

3. U. T. Health Science Center - San Antonio: Approval to Settle Medical Liability Litigation - John W. Caillouette and Kathryn Caillouette.--Upon motion of Vice-Chairman Loeffler, the Chancellor and the Office of General Counsel were authorized to settle, on behalf of The University of Texas Health Science Center at San Antonio, the medical liability litigation brought by John W. Caillouette and Kathryn Caillouette in accordance with the proposal presented in Executive Session.

The motion, duly seconded, carried by unanimous vote.

4. U. T. System: Consideration of Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees.--Chairman Evans reported that there was no need for action on any individual personnel matters discussed in Executive Session.

SPECIAL ITEM

U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for June 1, 1999 Through August 31, 1999.--Vice Chancellor for Development and External Relations Perry reviewed the Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for The University of Texas System for the period June 1, 1999 through August 31, 1999, as set forth on Pages 7 - 11.

Vice Chancellor Perry reported 133 items conforming to Board policy were approved including the acceptance of \$12,989,492 in gifts. Other matching contributions from previously accepted Board-held matching funds totaled \$2,184,700, and transfers of endowment funds and previously accepted gifts totaled \$974,366.

Mrs. Perry noted that this report includes only those funds which relate to endowments, estates, and other funds managed by the U. T. System Office of Development and External Relations.

ACCEPTANCE OF GIFTS HELD BY BOARD
June 1, 1999 Through August 31, 1999

#ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES							MATCHING FUNDS	TOTAL VALUE	
		CASH	SECURITIES	REAL ESTATE	PLEDGES	OTHER	TRANSFERS				
2	U. T. System	\$ 10,000	s	\$ 49,366	S	s	-	\$ -	\$ -	\$ -	\$ 69,366
6	U. T. Arlington	\$ 128,907	\$	s -	\$ -	\$ -	\$ -	s 200,000	s	\$ 328,907	
40	U. T. Austin	\$ 3,705,017	s	\$ 3,820,757	\$ 223,692	S 1,002,650	S 200,000	s 52,253	S	\$ 9,004,369	
22	U. T. El Paso	\$ 522,193	s	\$ 380,684	\$	\$ 169,000	S	\$	\$	\$ 1,071,878	
1	U. T. Brownsville	\$ 50,000	s	•	s -	\$ -s	-s	-	\$ -	\$ 50,000	
8	U. T. Permian Basin	\$ 5,500	s	s -	\$ 14,500	s	\$	s	-s	\$ 20,000	
8	U. T. San Antonio	\$ 182,133	\$ 88,361	\$	\$ 5,000	s	s -	s -	s	\$ 275,494	
16	U. T. SWMC-Dallas	\$ 42,420	\$	\$	\$ 142,000	S	\$ 49,200	s 2,184,700	S	\$ 233,620	
13	U. T. M.B.-Galveston	\$ 1,053,700	s	\$	s -	\$	\$ 805,000	S	\$	\$ 1,058,700	
5	UTHSC-Houston	\$ 147,000	s	s -	\$ 133,000	s	\$ 125,000	S	\$	\$ 280,000	
2	UTHSC-San Antonio	\$ 20,000	s	\$	s -	\$ -	s 100,000	s	\$	\$ 120,000	
9	UTMDACC	\$ 244,198	\$ 292,327	s	\$	\$	\$	\$	\$	\$ 536,525	
1	UTHC-Tyler	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
133	TOTAL	\$ 6,111,068	s 4,582,129	\$ 273,058	S 1,466,150	s 200,000	s 1,331,453	s 2,184,700	S	\$ 12,989,492	

- Not included in total: U. T. System - \$49,366 of previously **accepted** gifts;
- U. T. SWMC-Dallas - **\$2,184,700** of Board-held matching funds;
- U. T. **M.B.-Galveston** - **\$800,000** transfer of endowment **funds**;
- UTHSC-Houston - \$ 125,000 transfer of endowment funds.

NOTE: Compiled by **Office** of Development and External Relations

CLASSIFICATION OF GIFTS AND OTHER ACTIONS
June 1, 1999 Through August 31, 1999

COMPONENT INSTITUTION	ENDOWMENTS	CHARITABLE REMAINDER TRUSTS	POOLED INCOME FUND	REMAINDER INTERESTS	HELD IN TRUST BY OTHERS	CURRENT PURPOSE	OTHER
U. T. System	2	***	***	***	***	***	***
U. T. Arlington	6	I-	-	***	***	***	***
U. T. Austin	37	I	***	***	***	2	***
U. T. El Paso	21		***	--	I	--	***
U. T. Brownsville	1			--	***	I-	-
U. T. Permian Basin	8			***	***	***	***
U. T. San Antonio	8		***	***	***		***
U. T. SWMC-Dallas	8		***		13	***	***
U. T. M.B.-Galveston	13		***	***	--	--	***
UTHSC-Houston	5	***	***	---	---	---	---
UTHSC-San Antonio	2	--	***	***	***	***	***
UTMDACC	3		***	***	2	4	***
UTHC-Tyler	1		***		--	***	***
TOTAL	115	1	0	0	16	6	0

PURPOSES OF GIFTS HELD BY BOARD AND OTHERS
June 1, 1999 Through August 31, 1999

COMPONENT <u>INSTITUTION</u>	ENDOWMENT								CURRENT PURPOSE	OTHER PURPOSE
	DIST. CHAIR	CHAIR	DIST. PROF'SHIP	PROF'SHIP	FACULTY FELLOWSHIP	GRADUATE FELLOWSHIP	SCHOLARSHIP	OTHER		
U. T. System	---		--	---	---		---	2	I-	--
U. T. Arlington	---	---	---	---	---	---	4	2	--	---
U. T. Austin	---	4	---	2	---	6	9	6	2	---
U. T. El Paso	---	---	2	|	---	---	6	2	---	|
U. T. Brownsville		---	---	---			|	---	I-	---
U. T. Permian Basin	---	---	---		---	---	2	---	---	--
U. T. San Antonio	---		---	---	---		7	1	---	---
U. T. SWMC-Dallas	|	3	---	2	---	--	1	8	--	---
U. T. M.B.-Galveston	|		---	---	---	---	3	3	---	---
UTHSC-Houston		---	|	---		---	2	1	---	---
UTHSC-San Antonio		---		|	---	---	---	1	---	---
UTMDACC	---	---	---	---		---	---	2	4	2
UTHC-Tyler		---	---		---	---		---	---	---
TOTAL	2	7	3	6	0	6	35	28	6	3

Total purposes may not equal the total number of items because some items pertain to multiple purposes.

OTHER ADMINISTRATIVE ACTIONS

June 1, 1999 Through August 31, 1999

<u>COMPONENT INSTITUTION</u>	<u>ESTABLISH ENDOWMENT</u>	<u>REDESIGNATE ENDOWMENT LEVEL</u>	<u>OTHER REDESIGNATION</u>	<u>DISSOLVE ENDOWMENT</u>	<u>APPROVE/ALLOCATE MATCHING</u>	<u>ACCEPT TRUSTEESHIP</u>	<u>OTHER</u>
U. T. System	2	---	---	---	---	---	---
U. T. Arlington	6	---	---	---	---	---	---
U. T. Austin	24	---	10	---	---	---	1
U. T. El Paso	11	1	9	1	---	---	---
U. T. Brownsville	1	---	---	---	---	---	---
U. T. Permian Basin	2	---	6	---	---	---	---
U. T. San Antonio	8	---	---	---	---	---	---
U. T. SWMC-Dallas	13	3	---	---	7	---	---
U. T. M.B.-Galveston	7	---	3	3	---	---	---
UTHSC-Houston	4	---	1	---	---	---	---
UTHSC-San Antonio	2	---	---	---	---	---	---
UTMDACC	2	1	1	---	---	---	---
UTHC-Tyler	---	---	1	---	---	---	---
TOTAL	82	5	31	4	7	0	1

COMPARATIVE SUMMARY OF GIFTS ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS
June 1, 1999 Through August 31, 1999

COMPONENT INSTITUTION	FY 1998 FULL YEAR	FISCAL YEAR 1999			
		<u>9/1/98 - 11/30/98</u>	<u>12/1/98 - 2/28/99</u>	<u>3/1/99 - 5/31/99</u>	FULL YEAR
U. T. System	\$ 60,000	\$ 25,000	\$	\$ 95,000	
U. T. Arlington	\$ 1,633,567	\$ 31,386	\$ 187,148	\$ 65,000	\$ 612,441
U. T. Austin	\$ 16,888,581	\$ 1,166,167	\$ 3,098,064	\$ 4,399,929	\$ 17,668,529
U. T. Dallas	\$ 411,126	\$ 1,000,000	\$ 60,674	\$	\$ 1,060,674
U. T. El Paso	\$ 4,064,288	\$ 1,597,047	\$ 291,094	\$ 220,683	\$ 3,180,702
U. T. Pan American	\$ 1,142,022	\$	\$ 60,674	\$	\$ 60,674
U. T. Brownsville	\$ 10,000	\$	\$ 60,674	\$	\$ 110,674
U. T. Permian Basin	\$ 272,770	\$ 10,000	\$ 120,674	\$ 60,000	\$ 210,674
U. T. San Antonio	\$ 236,907	\$ 53,600	\$ 326,674	\$ 25,000	\$ 680,768
U. T. Tyler	\$ 554,169	\$ -	\$ 220,749	\$ 40,000	\$ 260,749
U. T. SWMC-Dallas	\$ 35,511,381	\$ 2,342,000	\$ 4,559,867	\$ 666,600	\$ 7,802,087
U. T. M.B.-Galveston	\$ 4,135,559	\$ 164,293	\$ 2,573,483	\$ 3,767,256	\$ 7,563,732
UTHSC-Houston	\$ 5,595,404	\$ 2,259,623	\$ 160,674	\$ 286,917	\$ 2,987,214
UTHSC-San Antonio	\$ 2,330,175	\$ 1,000,000	\$ 76,846	\$ 178,396	\$ 1,375,242
UTMDACC	\$ 13,780,273	\$ 162,831	\$ 4,358,790	\$ 2,272,709	\$ 7,330,854
UTHC-Tyler	\$ 476,000	\$ 602,933	\$ 650,000	\$ 41,445	\$ 1,294,378
Multi-Component	\$	\$	\$ 170,000	\$	\$ 170,000
TOTAL	\$ 87,042,222	\$ 10,449,881	\$ 17,001,083	\$ 12,023,935	\$ 52,464,391

MATTERS RELATED TO THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY (UTIMCO)

1. U. T. System: Report on Investments for the Fiscal Year Ended August 31, 1999.--On behalf of The University of Texas Investment Management Company (UTIMCO), Regent Sanchez, a member of the UTIMCO Board, summarized the Report on Investments for The University of Texas System for the fiscal year ended August 31, 1999, for the Permanent University Fund, Permanent Health Fund, Long Term Fund, Short/Intermediate Term Fund, and Separately Invested Assets.

Report by Regent Sanchez on Behalf of UTIMCO

Mr. Chairman and members of the Board, I am pleased to summarize on behalf of UTIMCO the investments for The University of Texas System for the fiscal year ended August 31, 1999.

Item a on Page 15 presents the summary report for Permanent University Fund (PUF) Investments. PUF Investments began the year with a market value of \$6.5 billion. During the year, contributions of mineral income from PUF Lands equaled \$54.3 million, down 31.7% versus receipts for the prior fiscal year. In addition, total investment return was \$1,158.1 million of which \$263.9 million was income return distributed to the Available University Fund (AUF) and \$894.2 million was price return. PUF market value ended the year at \$7.5 billion.

Year-end asset allocation was 68.4% broadly defined equities and 31.6% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income. Within equities, year-end allocation was 46.6% U. S. large and mid cap stocks, 4.4% U. S. small cap stocks, 6.8% non-U. S. equities and 10.6% alternative equities.

The PUF's accrued investment income of \$263.9 million increased by a nominal rate of 1.5% versus \$260.0 million for the prior fiscal year and decreased by .8% on an inflation adjusted basis. Distributed investment income for the year of \$263.9 million was \$12.6 million over budget and \$3.9 million over investment income earned during the prior year.

PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds during the year was a negative 3.09% as bonds ran off at an average yield of 8.85% and were replaced by bonds yielding 5.76%. As of year-end, the distributable book yield on the \$2.3 billion fixed income portfolio declined to 7.60% versus 7.75% 12 months ago.

Total investment return for the year was 17.9%. The fixed income portfolio posted a total return of (1.0%) for the year versus .8% for the Lehman Aggregate Bond Index. Equities, as an asset class, posted higher relative returns with the S&P 500 Index and Russell 3000 Index posting returns of 39.8% and 38.5%, respectively. The PUF's equity portfolios (including non-U. S. portfolios) produced a lower return of 30.6%. Finally, alternative equities produced a 21.1% return for the year.

Item b on Page 16 reports summary activity for the Permanent Health Fund (PHF) which was funded on August 30, 1999, with contributions in the amount of \$890 million. The PHF was 100% invested in an AAA rated money market fund for the final two days of the fiscal year.

Item c on Page 17 reports summary activity for the Long Term Fund (LTF). During the year, net contributions totaled \$85.0 million representing a 5.6% increase over the prior fiscal year. Investment return was \$482.5 million. Distributions to the 5,080 endowment and other accounts underlying the LTF totaled \$101.5 million: an increase of 11.7% versus the prior year. The Fund's market value closed the year at \$2.6 billion.

Asset allocation at year-end was 21.0% fixed income and 79.0% broadly defined equities. Within equities, U. S. small cap and non-U. S. equities were slightly overweighted at 10.8% and 16.1%, respectively, of total assets. U. S. large and mid cap equities were also overweighted at 32.6% while alternative equities were underweighted at 19.5% versus a neutral weighting of 25%. Total investment return for the year was 22.1% versus the neutral policy portfolio return of 24.3%.

Item d on Page 18 presents summary activity for the Short/Intermediate Term Fund. During the year, the Fund received net contributions of \$13.2 million. It earned \$53.4 million in total return and incurred expenses of \$500 thousand. Distributions to the U. T. System component institutions equaled \$106.3 million, resulting in a year-end Fund value of \$1.8 billion versus \$1.8 billion at the beginning of the year. Total return on the Fund was 2.9% for the year versus the Fund's performance benchmark of 3.7%.

Item e on Page 19 presents book and market value of cash, fixed income, equity and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$46 million to \$796 million during the final quarter. Asset values for the remaining asset classes were fixed income securities: \$66 million versus \$66 million at previous quarter-end; equities: \$60 million versus \$51 million at previous quarter-end; and other investments of \$21 million versus \$7 million at previous quarter-end.

a. PERMANENT UNIVERSITY FUND

Summary Investment Report at August 31, 1999.—

PERMANENT UNIVERSITY FUND (1)
INVESTMENT SUMMARY REPORT
(\$ millions)

	FY97-98	FY98-99				Full Year
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Beginning Market Value	6,368.3	6,517.1	7,188.9	7,202.1	7,437.0	6,517.1
PUF Lands Receipts (2)	79.5	15.1	11.2	11.3	16.7	54.3
Investment Income (3)	260.0	65.5	63.7	68.5	66.2	263.9
Investment Income Distributed	(260.0)	(65.5)	(63.7)	(68.5)	(66.2)	(263.9)
Realized Gains	467.6	113.4	117.0	110.9	106.4	447.7
change in unrealized Gains	(398.3)	543.3	(115.0)	112.7	(94.5)	446.5
Ending Market Value	6,517.1	7,188.9	7,202.1	7,437.0	7,465.6	7,465.6
AUF income:		65.5		68.5		
Investment Income	260.0	2.3	63.7	0.8	66.2	253.9
Surface Income	6.6		2.2		4.2	9.5
Total	266.6	57.8	65.9	69.3	70.4	273.4

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

(1) Excludes PUF Lands mineral and surface interests with estimated August 31, 1999 values of \$558.8 million and \$156.3 million, respectively.

(2) As of August 31, 1999: 1,273,368 acres under lease; 520,467 producing acres; 3,370 active leases; and 2,046 producing leases.

(3) Investment income includes amortization of discount and premium bonds in accordance with statutory requirements.

b. PERMANENT HEALTH FUND

Summary Investment Report at August 31, 1999.--

PERMANENT HEALTH FUND
INVESTMENT SUMMARY REPORT
(\$ millions)

	<u>FY98-99</u> <u>Full Year</u>
Beginning Net Assets	-
Contributions (1)	890.0
Investment Return	0.3
Ending Net Assets	<u>890.3</u>
Net Asset Value per Unit	1.000284
No. of Units (End of Period)	890,000,000

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

(1) Funded **8/30/99**

c. LONG TERM FUND

Summary Investment Report at August 31, 1999.--

LONG TERM FUND
SUMMARY REPORT
(\$ millions)

	FY97-98	FY98-99				Full Year
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Beginning Nat Assets	2,125.0	2,147.7	2,390.2	2,425.	2,538.2	2,602.3
Net Contributions	60.5	31.6	17.1	28.1	10.2	85.0
Investment Return (1)	42.6	237.2	44.9	114.0	88.4	482.5
Receipt of Funds from System for UTIMCO Fee	2.0	0.6	0.5	0.5	0.6	2.2
Expenses	(7.2)	(1.6)	(1.9)	(2.2)	(2.6)	(8.3)
Distributions (Payout)	(90.9)	(25.1)	(25.2)	(25.5)	(25.7)	(101.5)
Distribution of Gain on Participant Withdrawals	(4.3)	(0.2)	(0.2)	(0.1)	(4.8)	(5.3)
Ending Net Assets	2,147.7	2,390.2	2,425.4	2,538.2	2,602.3	2,602.3
Nat Asset Value per Unit	4.588	5.010	5.048	5.227	5.347	5.347
No. of Units (End of Period)	470,190,284	477,070,872	480,447,414	485,586,789	486,701,841	486,701,841
Distribution Rate per Unit	0.195	0.0525	0.0525	0.0525	0.0525	0.2100

Report prepared in accordance with Sec. 51 .0032 of the Texas Education Code.

(1) Investment return for FY **97-98** was adjusted **downward \$.1 million** from previous report to correct rounding difference **between other annual reports**.

d. SHORT/INTERMEDIATE TERM FUND

Summary Investment Report at August 31, 1999.--

SHORT/INTERMEDIATE TERM FUND
SUMMARY REPORT
(\$ millions)

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	<u>FY97-98</u>	<u>FY98-99</u>				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
Beginning Net Assets	1,631.4	1,809.6	1,845.9	1,838.3	1,831.3	1,809.6
Contributions (Net of Withdrawals)	126.9	29.8	18.7	9.5	(44.8)	13.2
Investment Return	152.8	32.5		10.8	10.1	53.4
Expenses (0-5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)
Distributions of Income	(101.0)	(25.9)	(26.2)	(27.2)	(27.0)	(166.3)
Ending Net Assets	1609.6	1,845.9	1,838.3	1,831.3	1,769.4	1,769.4

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

e. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 1999.-

SEPARATELY INVESTED ASSETS
SUMMARY REPORT
(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT & ANNUITY & LIFE		INCOME FUNDS				OPERATING FUNDS		TOTAL	
	DESIGNATED	RESTRICTED	SIMILAR	FUNDS	INCOME FUNDS	AGENCY FUNDS	OPERATING FUNDS	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	
Cash & Equivalents:														
Beginning value 6/1/99	3,723	3,723	1,565	1,568	18,850	18,850	400	400	BC 37 (34)	MAR 37 (34)	817,389	817,369	841,945	841,945
Increase/(Decrease)	89	89	727	727	5,785	5,788	17	17			(52,859)	(52,859)	(46,272)	(46,272)
Ending value 8/31/99	3,812	3,812	2,293	2,293	24,638	24,638	417	417	3		764,510	764,510	795,673	795,673
Debt Securities:														
Beginning value 6/1/99	.	.	- 7	- 5	57,008	57,123	8,177	6,531	.	.	.	.	65,192	65,659
Increase/(Decrease)	.	.	7	5	(2,671)	(4,039)	(105)	(308)	.	.	5,045	4,955	2,269	811
Ending value 8/31/99	.	.			54,337	53,084	8,072	8,223	.	.	5,045	4,958	4,461	66,270
Equity Securities:														
Beginning value 6/1/99	42	3,336	1,898	2,025	24,100	38,170	6,855	7,395	.	.	250	246	33,145	51,175
Increase/(Decrease)	.	1,078	527	534	(3,299)	(2,144)	49	222	.	.	7,766	7,650	5,043	8,340
Ending value 8/31/99	42	5,214	2,425	2,559	20,801	36,026	6,904	7,620	.	.	0,016	8,096	38,188	59,515
Other:														
Beginning value 6/1/99	.	.	301	301	658	658	5,894	8,255	.	.	.	.	8,574	6,935
Increase/(Decrease)	14,150	14,150	323	323	(159)	(159)	(44)	128	.	.	.	.	14,248	14,418
Ending value 8/31/99	14,150	14,130			499	499	5,850	6,381	.	.	.	.	20,822	21,353

Report prepared in accordance with Sec. 51 .0032 of the Texas Education Code.
Details of individual assets by account furnished upon request.

2. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 1999.--The University of Texas Investment Management Company (UTIMCO) presented the annual report on Permanent University Fund Investments for the fiscal year ended August 31, 1999, which includes the annual audited financial statements and summarizes the Fund's investment transactions and balances for the fiscal year ended August 31, 1999.

Upon motion of Regent Sanchez, seconded by Vice-Chairman Loeffler, the Board approved this report and directed its distribution to the Governor, members of the Legislature, and other State Officials, as required by Section 66.05 of the Texas Education Code.

3. U. T. Board of Regents: Amendments to Permanent Health Fund (PHF) and Long Term Fund (LTF) Investment Policy Statements with The University of Texas Investment Management Company (UTIMCO).--Upon recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board approved the amendments to the Permanent Health Fund (PHF) and Long Term Fund (LTF) Investment Policy Statements as set forth below. The amendments relate primarily to the creation of the separate inflation hedging asset class for the endowment funds.

- a. Paragraph E. was added to the Asset Allocation section as follows:

- E. Inflation Hedging Assets – generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. They include direct real estate, REITs, oil and gas interests, commodities, inflation-linked bonds, timberland and other hard assets. These investments may be held through limited partnership, other commingled funds or as direct ownership interests.

- b. The second paragraph of the Asset Allocation Policy was revised to read as follows:

The long-term asset allocation policy for the Fund must recognize that the 5.5% real return objective requires a high allocation to broadly defined equities, including domestic, international stocks, alternative equity investments, and inflation hedging assets of 68% to 90%. The allocation to deflation hedging Fixed Income should therefore not exceed 32% of the Fund.

- c. The Investment Guidelines were amended to read as follows:

Alternative Investments and Inflation Hedging Assets

Investments in alternative assets and inflation hedging assets may be made through management contracts with unaffiliated organizations (including but not limited to limited partnerships, trusts, and joint ventures) so long as such organizations:

- A. possess specialized investment skills
- B. possess full investment discretion subject to the management agreement
- C. are managed by principals with a demonstrated record of accomplishment and performance in the investment strategy being undertaken
- D. align the interests of the investor group with the management as closely as possible
- E. charge fees and performance compensation which do not exceed prevailing industry norms at the time the terms are negotiated.

Investments in alternative nonmarketable assets and inflation hedging assets also may be made directly by UTIMCO in co-investment transactions sponsored by and invested in by a management firm or partnership in which the Fund has invested prior to the co-investment or in transactions sponsored by investment firms well known to UTIMCO management, provided that such direct investments shall not exceed 25% of the market value of the alternative nonmarketable assets portfolio or the inflation hedging assets portfolio at the time of the direct investment.

- d. The Effective Date of each policy was amended to read as follows:

Effective Date

The effective date of this policy shall be November 11, 1999.

The Investment Policy Statements for the endowment funds state that UTIMCO shall establish specific allocations and ranges for eligible asset classes within the broad guidelines contained in the Investment Policy Statements and report them to the U. T. Board of Regents. The asset allocation and ranges (see Exhibit A on Page 23) underlying the endowment Investment Policy Statements are based originally on a study performed by an endowment consultant in late 1995. These original asset allocations have been revised periodically with the last revision occurring in October 1997.

The new asset allocations are the culmination of a five-month process involving an updated asset allocation study and certain refinements by UTIMCO management to improve the expected return to risk ratio. The new asset allocation includes three changes from the current policy:

1. A reduction in U. S. equity neutral exposure from 40% to 32.5% or specifically 25% for U. S. large/mid cap and 7.5% for U. S. small cap;
2. A rebalancing of the 25% neutral exposure to alternative investments, increasing marketable investments such as hedge, distressed debt and absolute return funds from 7% to 10% and reducing nonmarketables, i.e., buyouts and venture capital from 18% to 15%; and
3. Creation of an inflation hedging asset class with a neutral exposure equal to 7.5% of fund assets.

EXHIBIT A

ENDOWMENT

**NEUTRAL ALLOCATIONS, EXPECTED RETURN AND RISK,
RANGES, AND PERFORMANCE OBJECTIVES**

<u>Conventional Equities</u>	Expected Return	Expected Risk	Neutral Allocation	Range	Benchmark	Return
U.S. Stocks	9.25%	18.50%	25.0%	10%-40%	S&P 500 Index	
U.S. Small Cap Stocks	10.25%	21.25%	7.5%	5%-15% 15%-55%	Russell 2000 Index	
Global ex-U.S. Stocks	9.75%	20.75%	12.0%	5%-20%	FT Actuaries World (ex-US)	
Emerging Markets Equity	13.00%	30.00%	3.0%	0%-10%	MSCI-Emerging Mkts. Free	
			47.5%	5%-30% 35%-80%		
<u>Alternative Equities</u>						
<u>Marketable</u>						
Absolute Return	7.75%	9.25%	3.0%	2.5%-10%		
Equity Hedge Funds	8.00%	14.00%	7.0%	2.5%-15%		
			10.0%	5%-15%	9 1 -Day T-Bills	+7%
<u>Non-Marketable</u>						
Venture Capital	14.25%	15.75%	7.5%	2.5%-10%		
Private Equity	12.25%	9.50%	7.5%	2.5%-15%		
			15.0%	5%-20%		17.00%
<u>Inflation Hedging</u>						
Commodities (GSCI)	8.75%	19.25%	2.5%	0.0%-10%		
Oil and Gas	11.00%	27.00%	0.0%	0.0%-10%		
Real Estate	9.00%	14.50%	5.0%	0.0%-10%		
TIPS	6.50%	2.50%	0.0%	0.0%-10%		
Timberland	8.50%	9.25%	0.0%	0.0%-10%		
			7.5%	5%-15%	33% (GSCI - 100 bps)	67% NCREIF
<u>Fixed Income</u>						
<u>Deflation Hedging</u>						
High Yield Bonds	8.50%	13.25%	0.0%	0%-7%	Lehman Brothers Aggregate	
Global ex U.S. Bonds	6.50%	13.00%	5.0%	0% 5%	Salomon Non-U.S. WGBI Unh.	
U.S. Bonds	6.25%	9.25%	15.0%	13%-25%	Lehman Brothers Aggregate	
Cash	3.75%	3.50%	0.0%	13%-32%	91 day T-Bills Ave. Yield	
			20.0%	13%-35%		
			100.0%			
Expected Nominal Return			9.35%			
Expected Risk			10.44%			
Return/Risk Ratio			0.90			

The rebalancing of Fund assets to achieve the neutral allocations shall be subject to the funding of alternative investments. Risk is defined in annualized standard deviation terms.

4. U. T. Board of Regents: Approval of Permanent University Fund (PUF) Investment Policy Statement and PUF Distribution for the Fiscal Year Ending August 31, 2000.--Regent Miller expressed concern that The University of Texas Investment Management Company (UTIMCO), rather than the U. T. Board of Regents, sets the distribution rate for the PUF as written in the proposed Permanent University Fund (PUF) Investment Policy Statement. He explained that the Board of Regents has constitutional authority for, and should remain ultimately responsible for, setting the PUF distribution rate. Chairman Evans clarified that while the Board of Directors of UTIMCO may recommend a rate, it is the Board who will, annually, make the final decision on the distribution rate.

Chairman Evans asked for a presentation at the February 2000 Board meeting on the background and support for setting the distribution rate at 4%, 4.5%, or 5% so that the Board can make a decision on what the rate should be.

Regent Miller recommended the Board look at the distribution rate to see what long-term reasonable amounts should be. He would also like to consider the ratio talked about yesterday (November 10): the 45/55% division to The University of Texas at Austin for excellence and what is spent for capital improvements.

In accordance therewith and consistent with Proposition 17 which amended the Texas Constitution by vote in a general election on November 2, 1999, the Board:

- a. Authorized the Executive Secretary to make changes in the Fund Distributions section of the PUF Investment Policy Statement and to make further editorial amendments as necessary to make the Policy consistent with discussion on responsibility for setting the PUF distribution rate. The Policy, as amended by the Executive Secretary, is set out on Pages 26 - 41.
- b. Approved a PUF distribution to the Available University Fund (AUF) of \$285,923,022 for the fiscal year ending August 31, 2000.

Proposition 17 redefined the AUF to include distributions made from PUF total investment return. These distributions are to be determined by the U. T. Board of Regents in a manner that attempts to: a) provide the AUF with a stable and predictable stream of distributions over time and b) maintain the purchasing power of both PUF investments and AUF distributions. Proposition 17 limits the discretion of the U. T. Board to determine the amount of PUF distributions in any given year by stipulating that annual distributions may not: a) exceed 7% of the average market value of PUF investments (as determined by the U. T. Board) and b) increase year to year if the purchasing power of PUF investments has not been preserved over rolling ten-year periods, except as necessary to pay annual debt service on PUF bonds.

The passage of Proposition 17 allows the U. T. Board of Regents to manage and invest the PUF in the same manner the U. T. Board manages and invests the other major endowment fund groups under its fiduciary control, namely the Permanent Health Fund (PHF) and the Long Term Fund (LTF). The new PUF Investment Policy Statement is identical (except for conforming changes) to the Investment Policy Statements for the PHF and LTF under Item 3 on Page 20.

The distribution from the PUF to the AUF for the fiscal year ending August 31, 2000, was set at \$285,923,022. The spending formula under the PUF Investment Policy Statement is identical to the spending policies for both the PHF and LTF. After setting an initial distribution equal to 4.5% of the average market value of PUF assets for the trailing 12 fiscal quarters ended February 28, 1999, the Policy increases distributions from the PUF at the average rate of inflation for the trailing 12 fiscal quarters subject to a distribution range of 3.5% to 5.5% of the average market value of PUF assets for the trailing 12 fiscal quarters.

The distribution of \$285,923,022 satisfies both limitations under Proposition 17. The distribution rate of 4.5% of the average market value of PUF investments for the trailing 12 fiscal quarters ended February 28, 1999, is below the 7% maximum distribution rate. In addition, purchasing power (investment return less investment expenses, inflation and distributions) of PUF investments for the ten-year period ended August 31, 1998, was preserved since it increased during this period by an average annual rate of 2.67%. The PUF distribution for the fiscal year ending August 31, 2000, represents a 13.7% increase over the budgeted distribution of \$251,300,000 and an 8.3% increase over the actual distribution of \$263,914,794 for the fiscal year ended August 31, 1999.

THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the “Fund”) is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas-Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville, West Texas A&M University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Baylor College of Dentistry).

Fund Organization

The Permanent University Fund was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the Permanent University Fund were completed in 1883 with the contribution of an additional one million acres of land. Today, the Permanent University Fund contains 2,109,190 acres of land (the “PUF Lands”) located in 24 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, in the form of surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested in securities. Surface income, as a renewable source of income, is distributed to the Available University Fund (the “AUF”), as received.

The Constitution prohibits the distribution and expenditure of mineral income contributed to the Fund. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

The expenditure of the AUF is subject to a prescribed order of priority:

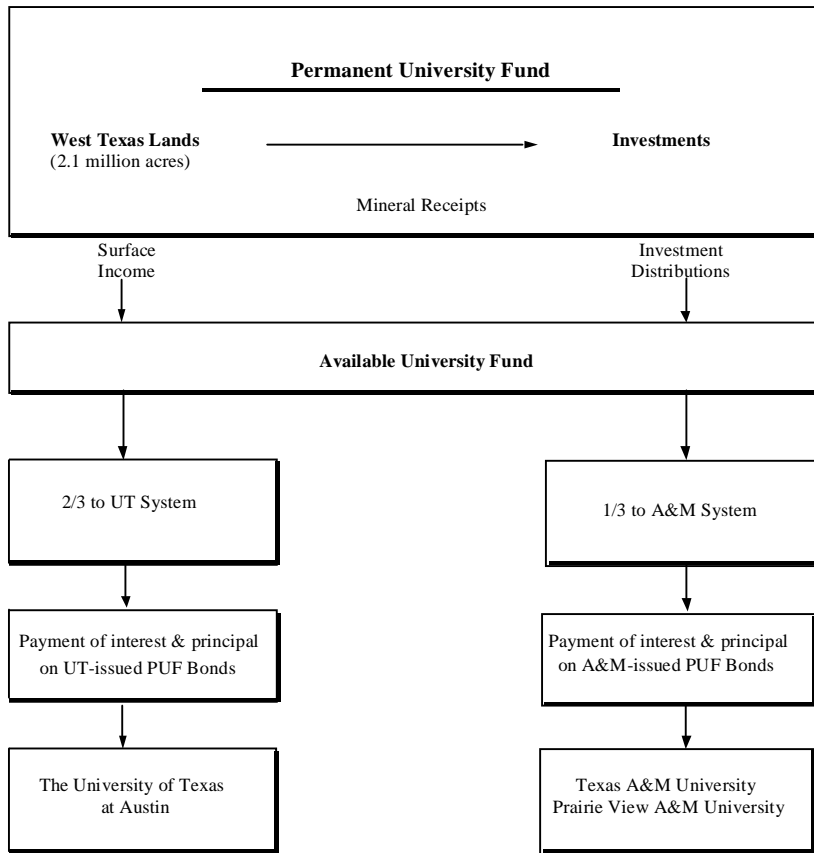
First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and Texas A&M University System, respectively, expenditures for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the U. T. Board and the Texas A&M University System (the “TAMUS Board”) to issue bonds payable from their respective

interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the projected interest in AUF receipts for each System covers projected debt service at least 1.5 times.

Second, expenditures to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

Exhibit 1



Fund Management

Article VII of the Texas Constitution assigns fiduciary responsibility for managing and investing the Fund to the U. T. Board. Article VII authorizes the U. T. Board, subject to procedures and restrictions it establishes, to invest the Fund in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent person investment standard. This standard provides that the U. T. Board, in making investments, may acquire, exchange sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the Fund rests with the Board. Section 66.08 of the Texas Education Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in investment of the PUF. The Fund shall be managed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Fund, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with Fund objectives, and c) monitor Fund performance against Fund objectives. UTIMCO shall invest the Fund's assets in conformity with investment policy.

Unaffiliated investment managers may be hired by UTIMCO to improve the Fund's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

Fund Administration

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

Fund Investment Objectives

The primary investment objective shall be to preserve the purchasing power of Fund assets and annual distributions by earning an average annual total return after inflation of 5.5% over

rolling ten-year periods or longer. The Fund's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect Fund asset allocation policy targets.

Asset Allocation

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

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

- A. Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.
- B. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of Fund income. Such bonds should be high quality, and intermediate to long-term maturity with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction.
- C. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund. Historically, returns for equities have been higher than for bonds over all extended periods. As such, equities represent the best chance of preserving the purchasing power of the Fund.
- D. Alternative Investments - generally consist of alternative marketable investments and alternative nonmarketable investments.
 - Alternative Marketable Investments - These investments are broadly defined to include hedge funds, arbitrage and special situation funds, high yield bonds, distressed debt, market

neutral, and other non-traditional investment strategies whose underlying securities are traded on public exchanges or are otherwise readily marketable. Alternative marketable investments may be made directly by UTIMCO or through partnerships. If these investments are made through partnerships they offer faster drawdown of committed capital and earlier realization potential than alternative nonmarketable investments. Alternative marketable investments made through partnerships will generally provide investors with liquidity at least annually.

- Alternative Nonmarketable Investments – Alternative Nonmarketable investments shall be expected to earn superior equity type returns over extended periods. The advantages of alternative nonmarketable investments are that they enhance long-term returns through investment in inefficient, complex markets. They offer reduced volatility of Fund asset values through their characteristics of low correlation with listed equities and fixed income instruments. The disadvantages of this asset class are that they may be illiquid, require higher and more complex fees, and are frequently dependent on the quality of external managers. In addition, they possess a limited return history versus traditional stocks and bonds. The risk of alternative nonmarketable investments shall be controlled with extensive due diligence and diversification. These investments are held either through limited partnership or as direct ownership interests. They include special equity, mezzanine venture capital, and other investments that are privately held and which are not registered for sale on public exchanges. In partnership form, these investments require a commitment of capital for extended periods of time with no liquidity.

- E. Inflation Hedging Assets – generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. They include direct real estate, REITs, oil and gas interests, commodities, inflation-linked bonds, timberland and other hard assets. These investments may be held through limited partnership, other commingled funds or as direct ownership interests.

Asset Allocation Policy

The asset allocation policy and ranges herein recognize that the Fund's return/risk profile can be enhanced by diversifying the Fund's investments across different types of assets whose returns are not closely correlated. The targets and ranges seek to protect the Fund against both routine illiquidity in normal markets and extraordinary illiquidity during a period of extended deflation.

The long-term asset allocation policy for the Fund must recognize that the 5.5% real return objective requires a high allocation to broadly defined equities, including domestic, international stocks, alternative equity investments, and inflation hedging assets of 68% to 90%. The allocation to deflation hedging Fixed Income should therefore not exceed 32% of the Fund.

The Board delegates authority to UTIMCO to establish specific neutral asset allocations and ranges within the broad policy guidelines described above. UTIMCO may establish specific asset allocation targets and ranges for large and small capitalization U. S. stocks, established and emerging market international stocks, marketable and non-marketable alternative equity investments, and other asset classes as well as the specific performance objectives for each asset class. Specific asset allocation policies shall be decided by UTIMCO and reported to the U. T. Board.

Performance Measurement

The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines

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

General

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the Investment Management Contract.
- All investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund assets in such liquid investment fund.

- No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The Fund may utilize Derivative Securities with the approval of the UTIMCO Board to a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) index or to hedge risks associated with Fund investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that: i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of Fund assets are required as an initial margin deposit for such contracts; iii) the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges. Notwithstanding the above, leverage strategies are permissible within the alternative equities investment class with the approval of the UTIMCO Board, if the investment strategy is uncorrelated to the Fund as a whole, the manager has demonstrated skill in the strategy, and the strategy implements systematic risk control techniques, value at risk measures, and pre-defined risk parameters.
- Such Derivative Securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the Fund and the prices of Derivative Security investments by investing in only those contracts whose behavior is expected to resemble that of the Fund's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a Derivative Security contract and the resulting inability to close a position prior to its maturity date by entering into

such transactions on an exchange with an active and liquid secondary market. The net market value of exposure of Derivative Securities purchased or sold over the counter may not represent more than 15% of the net assets of the Fund.

In the event that there are no Derivative Securities traded on a particular market index such as MSCI EAFE, the Fund may utilize a composite of other Derivative Security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected Derivative Securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.

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

The Fund may be invested in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies and between foreign currencies and the U. S. dollar.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include internal short term pooled investment funds managed by UTIMCO.

- Unaffiliated liquid investment funds as approved by the chief investment officer.
- Deposits of the Texas State Treasury.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.

- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U. S. Treasury securities and rated A-1 or P-1 or the equivalent.
 - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
 - Eligible Collateral Securities for Repurchase Agreements are limited to U. S. Treasury securities and U. S. Government Agency securities with a maturity of not more than 10 years.
 - The maturity for a Repurchase Agreement may be from one day to two weeks.
 - The value of all collateral shall be maintained at 102% of the notional value of the Repurchase Agreement, valued daily.
 - All collateral shall be delivered to the PUF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of Repurchase Agreements with maturities greater than seven calendar days may not exceed 10% of the Fund's fixed income assets.
- Overnight Repurchase Agreements may not exceed 25% of the Fund's fixed income assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as Reverse Repurchase Agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

Holdings of domestic fixed income securities shall be limited to those securities a) issued by or fully guaranteed by the U. S. Treasury, U. S. Government-Sponsored Enterprises, or U. S. Government Agencies, and b) issued by corporations and municipalities. Within this overall limitation:

Permissible securities for investment include the components of the Lehman Brothers Aggregate Bond Index (LBAGG): investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-indices 1) Government: Treasury and Agency; 2) Corporate: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; and 4) Asset-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible: a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities; b) medium term notes issued by investment grade corporations; c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and d) structured notes issued by LBAGG qualified entities.

U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or an equivalent rating by a nationally recognized rating agency at the time of acquisition.

Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer provided that such bonds, at the time of purchase, are rated, not less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch Investors Service.

Non-U.S. Fixed Income

Not more than 35% of the Fund's fixed income portfolio may be invested in non-U. S. dollar bonds. Not more than 15% of the Fund's fixed income portfolio may be invested in bonds denominated in any one currency.

Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.

Not more than 7.5% of the Fund's fixed income portfolio may be invested in Emerging Market debt.

International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

The Fund shall:

- A. hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market
- B. hold no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by the chief investment officer.

Alternative Investments and Inflation Hedging Assets

Investments in alternative assets and inflation hedging assets may be made through management contracts with unaffiliated organizations (including but not limited to limited partnerships, trusts, and joint ventures) so long as such organizations:

- A. possess specialized investment skills
- B. possess full investment discretion subject to the management agreement
- C. are managed by principals with a demonstrated record of accomplishment and performance in the investment strategy being undertaken
- D. align the interests of the investor group with the management as closely as possible
- E. charge fees and performance compensation which do not exceed prevailing industry norms at the time the terms are negotiated.

Investments in alternative nonmarketable assets and inflation hedging assets also may be made directly by UTIMCO in co-investment transactions sponsored by and invested in by a management firm or partnership in which the Fund has invested prior to the co-investment or in transactions sponsored by investment firms well known to UTIMCO management, provided that such direct investments shall not exceed 25% of the market value of the alternative nonmarketable assets portfolio or the inflation hedging assets portfolio at the time of the direct investment.

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and applied against UTIMCO management fees. Furthermore, UTIMCO Board approval of UTIMCO management's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's service as a director of an investee company.

Fund Distributions

The Fund shall balance the needs and interests of present beneficiaries with those of the future. Fund spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time
- B. ensure that the inflation adjusted value of distributions is maintained over the long-term
- C. ensure that the inflation adjusted value of Fund assets after distributions is maintained over the long-term.

The goal is for the Fund's average spending rate over time not to exceed the Fund's average annual investment return after inflation in order to preserve the purchasing power of Fund distributions and underlying assets.

The Texas Constitution states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on

bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund.”

Annually, the U. T. Board of Regents will approve a distribution amount to the AUF.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the U. T. Board an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution amount shall be based on the following policy:

- A. Increase the prior year's distribution by the average inflation rate (C.P.I.) for the previous twelve quarters.
- B. If the inflationary increase in Step A. results in a distribution rate below 3.5% (computed by taking the proposed distribution amount divided by the previous twelve quarter average market value), the UTIMCO Board shall recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%.
- C. If the inflationary increase in Step A. results in a distribution rate above 5.5% (computed by taking the proposed distribution amount divided by the previous twelve quarter average market value), the UTIMCO Board shall recommend a decrease in the distribution amount as long as such decrease does not result in a distribution rate of less than 3.5%.

Following approval of the distribution amount, distributions from the Fund to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

Fund Accounting

The fiscal year of the Fund shall begin on September 1st and end on August 31st. Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board

Statements, industry guidelines, and state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by the chief investment officer and reported to the UTIMCO Board.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all Fund net assets. Such valuation of Fund assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

The fair market value of the Fund's net assets shall include all related receivables and payables of the Fund on the valuation. Such valuation shall be final and conclusive.

Securities Lending

The Fund may participate in a securities lending contract with a bank or nonbank security lending agent for either short-term or long-term purposes of realizing additional income. Loans of securities by the Fund shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U. S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate. The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the agent shall be reviewed by UTIMCO to insure compliance with contract provisions.

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be November 11, 1999.

EXHIBIT A

ENDOWMENT

**NEUTRAL ALLOCATIONS, EXPECTED RETURN AND RISK,
RANGES, AND PERFORMANCE OBJECTIVES**

<u>Conventional Equities</u>	Expected Return	Expected Risk	Neutral Allocation	Range	Benchmark	Return
U.S. Stocks	9.25%	18.50%	25.0%	10%-40%	S&P 500 Index	
U.S. Small Cap Stocks	10.25%	21.25%	7.5%	5%-15%	Russell 2000 Index	
				15%-55%		
Global ex-U.S. Stocks	9.75%	20.75%	12.0%	5%-20%	FT Actuaries World (ex-US)	
Emerging Markets Equity	13.00%	30.00%	3.0%	0%-10%	MSCI-Emerging Mkts. Free	
			47.5%	5%-30%		
				35%-80%		
Alternative Equities						
Marketable						
Absolute Return	7.75%	9.25%	3.0%	2.5%-10%		
Equity Hedge Funds	8.00%	14.00%	7.0%	2.5%-15%		
			10.0%	5%-15%	91-Day T-Bills	+7%
Non-Marketable						
Venture Capital	14.25%	15.75%	7.5%	2.5%-10%		
Private Equity	12.25%	9.50%	7.5%	2.5%-15%		
			15.0%	5%-20%		17.00%
Inflation Hedging						
Commodities (GSCI)	8.75%	19.25%	2.5%	0.0%-10%		
Oil and Gas	11.00%	27.00%	0.0%	0.0%-10%		
Real Estate	9.00%	14.50%	5.0%	0.0%-10%		
TIPS	6.50%	2.50%	0.0%	0.0%-10%		
Timberland	8.50%	9.25%	0.0%	0.0%-10%		
			7.5%	5%-15%	33% (GSCI - 100 bps)	67% NCREIF
Fixed Income						
Deflation Hedging						
High Yield Bonds	8.50%	13.25%	0.0%	0%-7%	Lehman Brothers Aggregate	
Global ex U.S. Bonds	6.50%	13.00%	5.0%	0%-5%	Salomon Non-U.S. WGBI Unh.	
U.S. Bonds	6.25%	9.25%	15.0%	13%-25%	Lehman Brothers Aggregate	
Cash	3.75%	3.50%	0.0%	13%-32%	91 day T-Bills Ave. Yield	
			20.0%	13%-35%		
			100.0%			
Expected Nominal Return			9.35%			
Expected Risk			10.44%			
Return/Risk Ratio			0.90			

The rebalancing of Fund assets to achieve the neutral allocations shall be subject to the funding of alternative investment & Risk is defined in annualized standard deviation terms.

5. U. T. Board of Regents: Amendment to Article III (Board of Directors) of the Bylaws of The University of Texas Investment Management Company (UTIMCO).--Pursuant to Section 66.08 of the Texas Education Code which requires U. T. Board of Regents' approval of the bylaws of The University of Texas Investment Management Company (UTIMCO) and all amendments thereto, the Board of Directors of UTIMCO recommended and the Board added Section 5A to Article III (Board of Directors) of the UTIMCO bylaws as set forth below:

Section 5A. Nominations; Nominating Committee. Upon the occurrence of a vacancy in the office of Director, the Board of Directors shall submit to the Board of Regents the name of a nominee to fill such vacancy. The nominee so submitted shall be selected by the Board of Directors from a list of names compiled by the Chairman of the Board. Prior to selection of the nominee, a nominating committee shall screen the individuals on the list and recommend to the Board a nominee to fill such vacancy. The Chairman of the Board shall appoint three members of the Board to serve as the nominating committee and shall designate the chairman of the committee.

This amendment to the UTIMCO bylaws formally documents the process by which a prospective non-U. T. Regent candidate for membership on the UTIMCO Board of Directors is selected and recommended for approval to the U. T. Board of Regents. All recommendations for Directors will be consistent with Section 66.08 of the Texas Education Code.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 11:00 a.m., the Board recessed for the meetings of the Standing Committees, and Chairman Evans announced that at the conclusion of each committee meeting the Board would reconvene to approve the report and recommendations of that committee.

The meetings of the Standing Committees were conducted in open session and the reports and recommendations thereof are set forth on the following pages.

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Page 43).--Chairman Evans reported that there were no items referred from the Executive Committee to the Board pursuant to Section 7, Subsection 7.1, Subdivision 7.14 of Chapter I of Part One of the Regents' Rules and Regulations.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 44 - 64).--Committee Chairman Riter reported that the Business Affairs and Audit Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 99 (Catalog Change).-- Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 99 in the form distributed by the Executive Secretary. It is attached following Page 105 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective institution involved.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter V, Section 3 (Employee Training, Education, and Development).--The Board amended the Regents' Rules and Regulations, Part Two, Chapter V, Section 3, relating to employee training, education, and development, to read as set forth below:

Sec. 3. Employee Training, Education, and Development.

- 3.1 The State Employees Training Act, Texas Government Code Sections 656.041 et seq., recognizes that programs for the training and education of State administrators and employees materially aid effective State administration and requires each State agency to adopt rules governing such programs, subject to written approval of the Governor of the State of Texas. The Director of the Office of Human Resources, as delegated by the Executive Vice Chancellor for Business Affairs, is responsible for promulgating the necessary policies and procedures for implementation of the State Employees Training Act, consistent with the guidelines approved by the Governor.

- 3.2 The Board of Regents requires the establishment of policies which promote training programs of benefit to employees.
- 3.3 Policies implemented must be consistent with provisions of the State Employees Training Act, as follows:
 - 3.31 The U. T. System Administration and component institutions will not extend funds under these provisions without the interest of the U. T. System Administration and component institutions being given first consideration.
 - 3.32 If an employee does not perform the regular duties of the job for three or more months, a written agreement complying with the provisions of institutional policy will be executed between the employee and the U. T. System Administration or the component institution as required by State law.
 - 3.33 Should an employee fail to honor the provisions of the agreement, the U. T. System Administration or the component institution will be reimbursed for all costs associated with the training period, including any amounts of the employee's salary not accounted for as paid vacation or compensatory leave.
 - 3.34 The U. T. System Administration and component institutions will report annually to the Legislative Budget Board detailing the amount of money expended in the preceding fiscal year for training subject to the Act.

In addition, former Subsections 3.3 through 3.9 of the Regents' Rules and Regulations, Part Two, Chapter V, Section 3 were deleted in their entirety.

These amendments to the Regents' Rules and Regulations, Part Two, Chapter V, Section 3 comply with provisions of Senate Bill 223 enacted by the 76th Texas Legislature which require a State agency to adopt a policy governing the training of employees that is related to the employee's job duties. The revised Human Resources policy will promote various types of training to encourage the initiative of all employees and stimulate and motivate less productive employees. Organized training programs will, moreover, help identify employees who exercise initiative and demonstrate

high levels of performance. The programs will also identify areas where employees need assistance in adapting to and adopting change and improved procedures and programs.

3. U. T. Board of Regents: Approval to Amend the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6 (Solicitation).-- Authorization was given to amend the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, relating to solicitation, to read as set forth below:

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

6.61 . . .

- (p) The distribution or presentation to officers and employees of the U. T. System and component institutions of material related to health benefit plans, life insurance, tax sheltered annuities, retirement plans or programs, or other benefits that are available to such officers and employees through employee benefit plans or programs offered by or approved by the U. T. System. Such material may be distributed or presented only at the Office of Human Resources of the U. T. System or component institutions, at the benefits office of a health profession practice plan of a health component institution, or at meetings scheduled for that purpose pursuant to guidelines established by the U. T. System Office of Human Resources. Those companies that are currently authorized Optional Retirement Program vendors may, at

the invitation of the U. T. System and component institutions, be permitted to engage in on-campus group seminars for the purpose of providing education, product marketing, and participant enrollment, subject to such rules and limitations as the U. T. System and component institutions may deem necessary and appropriate. Currently authorized Optional Retirement Program vendors may advertise such on-campus meetings throughout the institution, subject to prior approval by the institution. The term “currently authorized Optional Retirement Program vendor” includes a company that has a current contractual agreement with the U. T. System to provide Optional Retirement Program products to officers and employees of the U. T. System but does not include those companies with grandfathered Optional Retirement Program participation or vendors of Tax Sheltered Annuity products or services.

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Successful participation in the self-directed Optional Retirement Program (ORP) requires participants to make informed investment decisions based on their continuous investment education. These amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6 will:

- a. Permit marketing meetings, coupled with retirement investor educational seminars, by authorized ORP vendors at the component institutions and at The University of Texas System
- b. Prohibit similar marketing activities by ORP vendors not currently authorized or by Tax Sheltered Annuity vendors
- c. Provide a degree of control by both the U. T. System and each individual component institution, with respect to

extending invitations to vendors, promoting the seminars, selecting time and location of seminars, and identifying the general rules under which seminars are held.

4. U. T. System: Approval of the System-wide Internal Audit Plan for Fiscal Year 2000.--Upon recommendation of the Business Affairs and Audit Committee, the Board approved The University of Texas System-wide Internal Audit Plan for Fiscal Year 2000. Development of the Internal Audit Plan is based on risk assessments that were performed at each component institution and implementation of the Plan will be coordinated with the institutional auditors. The U. T. System Administration and component institution Audit Plans and the Summarized Audit Plans are on file in the Office of the Board of Regents.

5. U. T. System: Amendments to the U. T. System Environmental Review Policy for Acquisitions of Real Property Assets.--In order to lower the risk associated with enforcement of the Endangered Species Act and the Clean Water Act, the Business Affairs and Audit Committee recommended and the Board revised The University of Texas System Environmental Review Policy for Acquisitions of Real Property Assets as set forth below in its entirety:

U. T. SYSTEM ENVIRONMENTAL REVIEW POLICY FOR ACQUISITIONS OF REAL PROPERTY ASSETS

Statement of Policy

It is the policy of The University of Texas System to minimize its potential for exposure to claims made under the applicable laws governing the environment and hazardous substances by making all appropriate inquiry with regard to the environmental condition of real property assets, including leaseholds, prior to acquisition.

Scope of the Policy

To reduce the risk of liability, the U. T. System will complete an environmental site assessment (ESA) prior to acquisition of any real property asset, except as specifically provided in this policy. For purposes of this policy, the term "real property asset" means any interest in real property except a mineral

interest severed from the surface estate, a leasehold in improvements only, or a leasehold less than five years in duration that does not contemplate any improvements to be constructed by U. T. System or other activities that would result in disturbance of the soil. The term specifically includes without limitation any acquisition in fee simple of real property, any leasehold on which U. T. System will construct improvements, and any leasehold where an underground storage tank, water wells, or monitoring wells exist. Federal and State statutes impose certain liabilities on owners of real property, including public institutions of higher education, when hazardous or other regulated substances have been deposited, stored, or released on the property. Hazardous and other regulated substances include not only the most dangerous or toxic substances, but also a wide array of chemicals and compounds, many of which are components of household trash or are found in raw materials and wastes. Liabilities related to hazardous and other regulated substances may include costs associated with removal of these substances from the property, including overhead and enforcement expenses. If environmental hazards are identified, the U. T. System should then weigh the risks that may arise with respect to such hazards in determining whether the acquisition is beneficial and appropriate. If no risks are identified, the U. T. System may, under certain circumstances, be able to assert a defense to liability if contamination that was unknown at the time of acquisition is later discovered.

The Environmental Review Process

1. At a minimum, prior to acquisition of any real estate asset, the benefited component, with respect to purchases of land or leaseholds to be used for campus purposes, or the Real Estate Office with respect to all other real property assets, will conduct an initial ESA using the American Society for Testing and Materials (ASTM) transaction screen process E1528. For purposes of the policy, "benefited component" means the component that will use and have control over land acquired by purchase, gift or bequest, or lease. The benefited component will determine the scope of further assessment based on the property's location and history, and findings of the transaction screen.
2. The chief business officer of the benefited component or the chief business officer's delegate, will coordinate the review process for purchase of real property assets to be used for campus purposes.
 - a. No component of the U. T. System will add property to the inventory of campus real property assets until a qualified

university employee or a qualified outside professional retained by the component, performs an ESA in accordance with this policy.

- b. The benefited component will pay all costs of the ESA that are not paid by a donor or an external entity whether the acquisition is by purchase, gift, bequest, or other means.
 - c. Any office or component of the U. T. System will notify the Real Estate Office immediately upon identification of a real property asset which may be donated or bequeathed to the U. T. System or any component institution.
 - d. No component will make a commitment to accept a donation or bequest of a real property asset until the appropriate office has complied with this policy with respect to such asset.
3. All ESAs will comply with the appropriate standards established by ASTM, unless otherwise specifically provided for in this policy.
4. The Real Estate Office may require, when appropriate, an investigation of other environmental issues or conditions beyond the scope of the ASTM guidelines, such as lead, biological, radiation contamination, endangered species, or wetlands.
5. If the initial transaction screen indicates areas of concern, the "Responsible Officer" (Real Estate Office or Chief Business Officer of the benefited component with respect to real property assets to be used for campus purposes, as appropriate) may (i) reject the real property asset, (ii) accept the real property asset with the identified risks, or (iii) require further investigation in the form of a Phase I, II, or III ESA.
6. If the Responsible Officer requests a Phase I ESA, a qualified outside professional will perform the ESA unless the component or the U. T. System has a qualified employee to complete the review.
 - a. All contracts for Phase I ESAs must be in a form acceptable to the Office of General Counsel.
 - b. The Office of General Counsel and the Responsible Officer shall review the ESA report.

- c. If the Phase I ESA indicates areas of concern, the Responsible Officer may (i) reject the property asset, (ii) accept the real property asset with the identified risks, or (iii) require additional investigation in the form of a Phase II or III ESA.
- 7. A qualified outside professional must conduct any Phase II ESA, unless the component receives express written permission from the Executive Director, Real Estate Office to conduct all or part of the Phase II ESA in-house based on the institution's expertise. The Phase II ESA should include an extensive review of prior uses of the land and records pertaining to those uses, an examination and sampling of the property, and testing of all samples collected.
 - a. All contracts for Phase II ESAs must be in a form acceptable to the Office of General Counsel.
 - b. The Office of General Counsel and the Responsible Officer will review the Phase II ESA report. If the Phase II ESA indicates areas of concern, the Responsible Officer may (i) reject the real property asset, (ii) accept the real property asset with identified risks, or (iii) require additional investigation in the form of a supplemental Phase II or a Phase III ESA.
- 8. A qualified outside professional must conduct any Phase III ESA. The ESA should include extensive physical sampling of the site, testing of all samples, estimates of the extent of contamination, and estimates of the total cost to clean up the site.
 - a. All contracts for Phase III ESAs must be in a form acceptable to the Office of General Counsel.
 - b. The Office of General Counsel and the Responsible Officer will review the Phase III ESA report. If the Phase III ESA identifies unacceptable contamination or cleanup estimates, the real property asset will be rejected and will not be acquired.
- 9. The Real Estate Office will maintain complete ASTM guidelines for the ESA transaction screen process, as revised from time to time. The Real Estate Office will distribute the guidelines at cost to any component business and development offices upon request.

10. When the U. T. System or a benefited component conducts an ESA either in-house or using a qualified outside professional and elects, based on the results of the ESA, not to acquire the real property asset under review, it is the System's policy to provide a copy of the ESA, with an appropriate disclaimer to the seller/current landowner or landlord, if requested.

Recommended Environmental Review by Property Type

The level of screening will vary according to type of real property asset, history and location.

1. Residential:
 - a. Have a qualified in-house individual or outside professional conduct an inspection.
 - b. Conduct a site visit and a review of aerial photos for the past 50 years if such photos are readily available from libraries or archives. If there is concern about past land uses (i.e., the property was vacant and in a remote or formerly industrial/commercial area, the site visit indicates distressed vegetation, or there is other evidence of contamination), then a 50-year title search may be warranted.
2. Vacant/Unoccupied Lands: Step 1.b above. The site visit should include (a) asking neighbors about prior uses such as dumping, and (b) inspecting along on-site roadways or fence lines where historical dumping would be more likely to have occurred. Aerial photos may be particularly useful in evaluating historical dumping on vacant lands.

In geographical areas where endangered species might be present, a review of U. S. Fish and Wildlife Service maps might be appropriate in determining if further investigation on this issue is warranted.

Visual inspection of the site for topographical, hydrological, and vegetative indicators of wetlands may also be appropriate, depending on the geographical location of the property.

3. Commercial Sites: Steps 1.a and 1.b above. A 50-year title search will be useful in evaluating former uses of commercial property. Every attempt should be made to obtain from the current or past owners,

operators and/or tenants the nature of business conducted at the site including a review of copies of any permits, licenses, notices of violation or consent agreements issued to owners, operators or tenants of the site.

4. Industrial Sites: Engage a qualified outside professional to conduct a Phase I ESA in accordance with ASTM Phase I Standard E1527, including a review of copies of any permits, licenses, notices of violation or consent agreements issued to current or past owners, operators or tenants of the site.

6. U. T. System: Authorization to Amend the Policy on Utilization of Historically Underutilized Business (HUB) Firms.--The Board, upon recommendation of the Business Affairs and Audit Committee, amended The University of Texas System Policy on Utilization of Historically Underutilized Business (HUB) Firms (approved by the Board on November 12, 1998) as set forth below.

The amendments to the Policy (1) clarify statements of purpose and scope, (2) reflect changed definitions, (3) reflect changes in the U. T. System Administration organizational structure, and (4) conform the Policy to new legislative requirements in Section 106.001, Texas Civil Practice and Remedies Code and Sections 321.013, 2101.011, 2161.001, 2161.0015, 2161.062 (e), 2161.065, 2161.066, 2161.123, 2161.127, and Subchapter F, Texas Government Code.

POLICY ON UTILIZATION OF HISTORICALLY UNDERUTILIZED BUSINESS (HUB) FIRMS

I. POLICY STATEMENT

A. Purpose

It is the policy of The University of Texas System to promote full and equal opportunity for all businesses to supply the goods and services needed to support mission, administrative, and logistical operations of U. T. System Administration and U. T. System component institutions. U. T. System Administration and component institutions commit to a good faith effort to increase purchases from and contract awards to Historically

Underutilized Business (HUB) firms consistent with the state's goals for HUB participation and overall economic development.

As public entities, U. T. System Administration and component institutions have a compelling interest to assure that procurement funds always are expended in an equal-business-opportunity context. To meet that obligation, U. T. System and component administrators shall establish and maintain procurement systems and procedures that are nondiscriminatory with respect to race, color, religion, sex, or national origin. That obligation also encompasses procurement systems and procedures of business firms under contract with U. T. System Administration or component institutions in order to preclude U. T. System institutions' passive participation in an unlawfully discriminatory marketplace.

Pursuant to the aforesated purpose, the following guidelines and related rules of the General Services Commission (GSC) (1 Texas Administrative Code Sections 111.11 through 111.24) are hereby adopted.

B. Scope

This policy applies to acquisition of specified commodities, professional and other services, and construction services, by U. T. System Administration and component institutions, including auxiliary enterprises, regardless of funding source (treasury or non-treasury funds).

C. Definitions

1. "Historically Underutilized Business" means a business enterprise, of a category defined in C.3 below, with its principal place of business in Texas and that does not exceed specified size standards, that is formed for the purpose of making a profit. The business enterprise must be majority-owned by one or more persons who:
 - (a) are members of Economically Disadvantaged Groups who suffer the effects of discriminatory practices due to their identification as members of such groups, and

(b) have a proportionate interest and demonstrate active participation in the control, operation, and management of the enterprise's affairs.

2. "Economically Disadvantaged Groups" mean and include:
 - (a) Black Americans - includes persons having origins in any of the Black racial groups of Africa;
 - (b) Hispanic Americans - includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;
 - (c) American Women - includes all women of any ethnicity except American Women specified in (a), (b), (d), and (e) of this subparagraph;
 - (d) Asian Pacific Americans - includes persons whose origins are in Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U. S. Trust Territories of the Pacific, the Northern Marianas, and Subcontinent Asian Americans which includes persons whose origins are from India, Pakistan, Bangladesh, Sri Lanka, Bhutan or Nepal; and
 - (e) Native Americans - includes persons who are American Indians, Eskimos, Aleuts, or Native Hawaiians.
3. "Categories of Historically Underutilized Business Enterprises" mean and include:
 - (a) A corporation in which at least 51% of all classes of the shares of stock or other equitable securities are owned by one or more persons described in C.2 above;
 - (b) A sole proprietorship that is 100% owned by a person described in C.2 above;

- (c) A partnership in which at least 51% of the assets and interests in the partnership are owned by one or more persons described in C.2 above;
 - (d) A joint venture in which each entity in the joint venture is an historically underutilized business;
 - (e) A supplier contract between an historically underutilized business and a prime contractor under which the historically underutilized business is directly involved in the manufacture or distribution of the supplies or materials or otherwise warehouses and ships the supplies; or
 - (f) A business, other than described in subparagraphs (a) through (e) above, which is a legally recognized business organization under the laws of the State of Texas, provided that at least 51% of the assets and interest and 51% of any classes of stock and equitable securities are owned by one or more persons described in C.2 above.
4. "Commodities" mean materials, supplies, or equipment.
 5. "Professional Services" mean services procured under provisions of the Professional Services Procurement Act (Sections 2254.001 - 2254.005, Texas Government Code).
 6. "Other Services" mean all services, other than construction and professional services, including consulting services procured under provisions of Sections 2254.021 - 2254.040, Texas Government Code.
 7. "Construction" means construction, improvement, maintenance, or repair of buildings, roads, highways, or grounds.
 8. "Treasury Funds" are funds maintained in the State treasury and disbursed through the State Comptroller's Office for U. T. System Administration or a component institution.

9. "Non-Treasury Funds" are all funds of U. T. System Administration or a component institution that are not deposited in the State treasury.

II. U. T. SYSTEM ADMINISTRATION AND COMPONENT INSTITUTION RESPONSIBILITIES

A. U. T. System Administration

1. The Chancellor, with support from and delegation to the Executive Vice Chancellor for Health Affairs and the Executive Vice Chancellor for Academic Affairs, exercises oversight responsibility for implementation of policies outlined herein by the U. T. System as a whole. The Chancellor is responsible for policy implementation in U. T. System Administration.
2. The Executive Vice Chancellor for Business Affairs provides functional staff expertise and support, and advises the Chancellor, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Academic Affairs regarding all phases of the HUB program.

B. U. T. System Component Administration

The president of each component institution is responsible for implementation of policies and procedures promulgated herein at his/her institution. Presidents shall develop strategic and action plans necessary for effective implementation of the HUB program.

III. PROCEDURES

- A. Specify an operating division structure (line and block diagram with necessary explanatory narrative/notes) for the purpose of defining responsibility and accountability for achieving HUB program goals and objectives. Comply with legislation and rules pertaining to designation of a HUB Coordinator. Include that structure in strategic and action plans required by Section II.B above.

- B. Establish a staff coordinating group (SCG), chaired by the Chief Business Officer, to provide functional staff expertise, advice, and counsel regarding implementation of all aspects of the HUB program. Organization of the SCG shall include the directors, or comparable supervisors of budget, accounting, purchasing, information services, and physical plant functions, and HUB Coordinators. Other staff representation may be added at the discretion of the president.
- C. Establish an outreach program designed to contact and to maintain continuous liaison with the local/regional HUB business community. Two major objectives of this program are (1) to become knowledgeable of HUB firms capable of supplying needed materials, supplies, equipment, and services, and (2) to inform the HUB business community of business opportunities with component institutions and of requisite business processes and procedures. In connection with the objectives specified above, (a) implement the Mentor-Protégé Program designed by the GSC, and (b) design a program of forums for hearing HUB presentations regarding their capacity to do business with U. T. System component institutions.
- D. Establish internal programs designed to educate and provide functional staff expertise to operating division heads, who exercise budget expenditure authority. All staff engaged in daily procurement operations must be knowledgeable of and vigorously implement HUB program goals, objectives, strategies, and action plans.
- E. Develop and maintain a HUB utilization reporting system. Compile monthly data by operating division; compile data sufficient to satisfy reporting requirements of the GSC, and provide internal program management information. Reports submitted to the GSC and to U. T. System Administration (subparagraph H below) shall be certified by the president or the Chief Business Officer.
- F. Utilize and supplement, as appropriate, purchasing rules and regulations published by the GSC in support of HUB objectives.

- G. Establish a system to monitor individual buyer performance as it relates to institutional HUB program goals and objectives.
- H. Report progress toward HUB program objectives as requested by U. T. System Administration.

7. U. T. Pan American: Approval to Negotiate a Lease and Shared Parking Agreement with the City of Edinburg, Texas, for Development of a Joint-Use Baseball Stadium and Authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to Execute All Documents Related Thereto.--The City of Edinburg recently purchased a 29.54-acre tract of land adjacent to The University of Texas - Pan American campus from the Catholic Diocese of Brownsville, Texas. The City plans to build, at its expense, a joint-use, professional quality baseball stadium with approximately 4,000 seats on approximately nine acres of the 29.54-acre tract. U. T. Pan American would like to lease the proposed stadium for its baseball program during the period September 1 through May 15 each year and proposes to offer shared parking for the stadium as partial consideration for the lease agreement. The City proposes to sell the remaining portion of approximately 20.5 acres to U. T. Pan American for campus expansion.

In accordance therewith, and upon recommendation of the Business Affairs and Audit Committee, authorization was given for The University of Texas System Real Estate Office and the U. T. System Office of General Counsel, on behalf of U. T. Pan American, to negotiate a lease and shared parking agreement with the City of Edinburg, Texas, within the following minimum parameters:

- a. The City of Edinburg (City) will, at its expense, build and operate a joint-use baseball stadium on an approximately 9-acre portion of a 29.54-acre tract of land that the City currently owns near the U. T. Pan American campus.
- b. U. T. Pan American will lease the baseball stadium for its own baseball program during the period of September 1 to May 15 of each year during the 20-year term of the lease. The lease will contain a right of first refusal for the U. T. Board of Regents to purchase the stadium for the amount of the outstanding indebtedness should the City elect to sell the stadium.

- c. As partial consideration for its use of the stadium, U. T. Pan American will provide 1,500 parking spaces near the stadium, which includes approximately 1,100 existing spaces.
- d. The City will agree to sell the remaining portion of the property of approximately 20.5 acres to the U. T. Board of Regents, on behalf of U. T. Pan American, for campus expansion purposes. The City's original out-of-pocket expense to acquire the property will be used to establish the sales price of the property to the University.
- e. The City shall have the right to lease the stadium to a professional minor league baseball team, as well as other commercial entertainment tenants or licensees. The City may allow the sale of alcoholic beverages in the stadium for non-University events.
- f. To the extent permitted by Texas law, the City shall indemnify the U. T. Board of Regents from any liability arising from non-University use of the shared parking areas and will obtain a commercial general liability insurance policy with liquor liability coverage, in an amount acceptable to the Office of General Counsel and the Real Estate Office, and naming the U. T. Board of Regents as an additional insured.

Further, the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate was authorized to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary or desirable to carry out the purpose and intent of the negotiation.

INFORMATIONAL REPORTS

1. U. T. Board of Regents: Report on Federal Securities Laws Related to the Issuance of Debt.--Committee Chairman Riter called on Mr. Rick Porter, senior partner of McCall, Parkhurst & Horton, L.L.P., and outside bond counsel, to discuss federal securities laws related to debt issued by the U. T. Board of Regents. [Mr. Porter's presentation](#) is on file in the Office of the Board of Regents.

Mr. Porter said that the Board is a major player in the public debt markets with about \$1.6 billion worth of debt outstanding in three long-term debt programs, the Permanent University Fund, the Revenue Financing System and the Higher Education Fund programs and two short-term note programs. Since all bonds and notes issued on behalf of The University of Texas System are issued in the name of the Board of Regents, Mr. Porter pointed out that the Board has responsibilities and liabilities under the federal securities laws with respect to this outstanding debt and, that as a policy-making body, the U. T. Board of Regents has a responsibility to ensure proper standards are established and policies put in place to ensure compliance with all anti-fraud provisions applicable to the debt market. Mr. Porter indicated that the U. T. System has an outstanding record of compliance, but he recommended that the U. T. System go through a diligent process on an annual basis to ensure that in addition to the quantitative information filed, there is not any other material event which needs to be disclosed. He advised the Board that members of the Business Affairs and Audit Committee should periodically review the disclosure documents to ensure issues are handled properly and further recommended that a policy be adopted which will govern posting of financial information on U. T. System Web sites to ensure the information is complete, up-to-date, and not misleading and includes an appropriate disclaimer.

Mr. Porter stated that Ms. Pam Clayton, Assistant Vice Chancellor for Finance for the U. T. System, is one of the most qualified and diligent finance officers in the State and has an in-depth understanding of securities laws.

Committee Chairman Riter thanked Mr. Porter for his presentation and said it is important for the Board of Regents to stay abreast of the debt structure. He asked that Assistant Vice Chancellor Clayton and Executive Vice Chancellor Burck continue to keep the Business Affairs and Audit Committee fully informed of the Board's disclosure responsibilities.

2. U. T. System: Presentation of the September 1999 Monthly Financial Report.--Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, reviewed the September 1999 Monthly Financial Report for The University of Texas System and emphasized that there were no variances from budget which did not have reasonable explanations.

A copy of [The University of Texas System Monthly Financial Report](#) as of September 1999 is on file in the Office of the Board of Regents.

3. U. T. System: Annual Report on the Historically Underutilized Business (HUB) Program for Fiscal Year 1999.--Committee Chairman Riter called on Mr. Lewis Wright, Associate Vice Chancellor for Business Affairs, to present the annual report on The University of Texas System Historically Underutilized Business (HUB) Program for Fiscal Year 1999.

Mr. Wright distributed to the members of the Board a report entitled "[The University of Texas System Historically Underutilized Business \(HUB\) Program Review](#)" dated November 11, 1999, a copy of which is on file in the Office of the Board of Regents. With the aid of transparencies, Mr. Wright presented the following report on the U. T. System Historically Underutilized Business Program highlighting the experience in Fiscal Year 1999:

Report on The University of Texas System
Historically Underutilized Business Program

Mr. Chairman, members of the Board -- This report covers Historically Underutilized Business (HUB) Program operations in the U. T. System for FY 1999.

Total expenditures on reportable goods and services increased \$638 million from \$6.283 billion in FY 1998 to \$6.921 billion in FY 1999. Total expenditures with HUB firms increased \$65.2 million from \$832.4 million (13.2%) in FY 1998, representing awards to 3,507 (49%) HUB firms, to \$897.6 million (13.0%) in FY 1999, representing awards to 3,508 (48%) HUB firms. The goals for underutilized HUB participation were not met in FY 1999 in any category. The goals for overutilized HUB participation were met in FY 1999 in four of five categories.

U. T. System Administration, U. T. Austin, U. T. Medical Branch – Galveston, and U. T. M. D. Anderson Cancer Center are included among the top ten spending agencies of the State. On the measure of underutilized HUB participation, they rank 2, 3, 4, and 5, respectively.

U. T. Pan American is included in the listing of ten agencies spending more than \$5 million with the largest underutilized HUB participation. No U. T. System component is included on the listing of ten agencies spending more than \$5 million with the smallest underutilized HUB participation.

Total expenditures on reportable goods and services increased \$13.8 million from \$1.0185 billion in FY 1998 to \$1.0323 billion in FY 1999. Total expenditures with HUB firms increased \$20.0 million from \$119.9 million in FY 1998 to \$139.9 million in FY 1999. Underutilized HUB participation goals were not met for any procurement category in FY 1999; however, U. T. System averages exceeded the State average underutilized HUB participation rate overall including State average rates in three (building construction, special trade construction, and commodities) of six procurement categories, State average rates with overutilized HUB firms in two (building construction and special trade construction) of six procurement categories, and the State average of total purchases from HUB firms. The System-wide underutilized HUB participation rate of 9.7% in FY 1998 increased to 11.5% in FY 1999. The System-wide total HUB participation rate of 11.7% in FY 1998 increased to 13.6% in 1999.

The trend analysis shows distribution of the net increase of \$19.99 million (16.7%) above the FY 1998 level. The rate of increase is more than double the rate of increase for the State as a whole.

Participation rate changes by amount and percentage of total Statewide expenditures (\$6.921 billion) across program component ethnic/gender groups (FY 1998 to FY 1999) are shown in the table below:

<i>White Men</i>	<i>Black</i>	<i>Asian- Pacific</i>	<i>Hispanic</i>	<i>Native- American</i>	<i>White Women</i>
+0.28	+0.06	-0.08	+0.06	0.00	-0.34

Participation rate changes by amount and percentage of total U. T. System expenditures (\$1.032 billion) across program component ethnic/gender groups (FY 1998 to FY 1999) are shown in the table below:

<u>White</u> <u>Men</u>	<u>Black</u>	<u>Asian-</u> <u>Pacific</u>	<u>Hispanic</u>	<u>Native-</u> <u>American</u>	<u>White</u> <u>Women</u>
-1.78	+0.85	+0.27	+0.98	+0.15	-0.48

U. T. System FY 1999 performance against the specified 25% HUB participation goal is 7.7% with respect to contracts relating to items to be financed by revenue bond proceeds. Cost related to the issuance of bonds, contracts for bond counsel, remarketing agent, paying agent, and bond rating services in connection with the short-term bond program (\$350 million) were restricted to Wall Street firms that met strict criteria to ensure safety. Minority and Woman-Owned Business Enterprise participation of 3.9% was achieved in underwriting services.

Focused and determined implementation of the HUB program explains the results that have been presented today. In the light of, and pursuant to new legislation, continuing focused and determined program implementation is required. U. T. System institutions must advance to a program implementation state wherein they can assert that every reportable purchase transaction, whether a spot purchase for office supplies, a multiple-thousands of dollars procurement of professional or other services, or multimillion dollar contracts for medical/pharmaceutical supplies, capital projects, or capital equipment, follows a documented procedure that ensures equal opportunity for minority-owned and woman-owned businesses to participate as U. T. System suppliers.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 65 - 69).--Committee Chairman Miller thanked The University of Texas Southwestern Medical Center at Dallas for their hospitality in hosting this Board meeting and for the presentations by the four Nobel laureates earlier in the morning. He reported that the Academic Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter I, Section 4 (Assessment, Collection, and Waiver of Tuition and Fees).--Upon recommendation of the Academic Affairs and Health Affairs Committees, the Board amended the Regents' Rules and Regulations, Part Two, Chapter I, Section 4, relating to tuition and other fees as set forth below:
 - Sec. 4. Assessment, Collection, and Waiver of Tuition and Fees.--Tuition, fees, and other charges will be fixed as prescribed or as authorized by statute and will be published in the institutional catalog with a description of the criteria for any authorized exemptions and waivers.
 - 4.1 The authority of the U. T. Board of Regents to grant exemptions and waivers from tuition, fees, and other charges in accordance with statute, is delegated to the presidents of the U. T. System component institutions.
 - 4.2 The Board delegates to the presidents of the component institutions the authority to approve changes in the amounts of incidental fees authorized by Section 54.504, Texas Education Code, for those fees that have previously been approved by the Board. As a condition to approval of any increase in such fees, the president must find that such increase is required in order for the incidental fee to reasonably reflect the actual cost to the component institution of the materials or services to be provided.

The amendments to the Regents' Rules and Regulations, Part Two, Chapter I, Section 4 are in keeping with prior actions of the U. T. Board of Regents at the August 1998 meeting to delegate approval authority as appropriate and prudent. Prior delegation of authority to grant tuition and fee waivers had been granted to component presidents but had not been formally codified in the Regents' Rules and Regulations. These amendments formally codify past actions by the U. T. Board of Regents and accommodate current and future statutory changes related to tuition and fee waivers and exemptions.

The 76th Texas Legislature added a new Section 54.5035 to the Texas Education Code to permit, but not require, the governing board of an institution of higher education to exempt a student from the payment of a mandatory or discretionary fee if the board determines the student is not reasonably able to participate in or use the activity, service, or facility for which the fee is charged. Other sections of the Texas Education Code authorize a governing board to grant exemptions from the payment of specific tuition and fees.

The incidental fee statute, Section 54.504, Texas Education Code, authorizes the governing board of an institution of higher education to fix the rate of incidental fees to be paid to an institution under its governance and requires that the rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected. The large number of proposed changes to existing incidental fees submitted annually by component institutions to the U. T. System for review and approval by the U. T. Board of Regents resulted in the recommendation that final approval of the amount of the incidental fee, as well as the required finding that the incidental fee reasonably reflects the actual cost to the component of the materials or services involved, could be performed more efficiently at the component institution.

Section 65.31(g), Texas Education Code, permits the U. T. Board of Regents, by rule, to delegate a power or duty of the Board to the presidents of the component institutions, acting as agents of the U. T. Board of Regents. The amendments to the Regents' Rules and Regulations, Part Two, Chapter I, Section 4 apply only to incidental fees previously approved by the U. T. Board of Regents for a component institution. New incidental fees proposed by a component institution will be submitted to the U. T. System for review and will be submitted to the U. T. Board of Regents for final approval via the institutional dockets.

The uses for the incidental fees collected will continue to be subject to periodic audit.

2. U. T. Pan American: Establishment of the Advisory Council for the Center for Applied Research in Education (CARE) and the Doctoral Program in Educational Leadership.--Pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the advisory councils of a component institution, approval was given to establish the Advisory Council for the Center for Applied Research in Education (CARE) and the Doctoral Program in Educational Leadership at The University of Texas - Pan American.

The mission of the Advisory Council for CARE and the Doctoral Program in Educational Leadership is to provide guidance and assistance in improving K-12 education in South Texas.

The Advisory Council will consist of no more than 20 members including University and non-University employees. One-third of the total membership of the initial appointees will serve two, three, and four-year terms. All terms following the initial appointments to the Advisory Council will be for three years.

3. U. T. Pan American: Approval of the Computer Science Advisory Council.--Pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the advisory councils of a component institution, the Board established the Computer Science Advisory Council at The University of Texas - Pan American.

The goal of the Computer Science Advisory Council is dedicated to the creative development of the Department of Computer Science in concert with the education of students, alumni, faculty, leaders in industry, and leaders in government.

The Advisory Council will consist of no more than 24 members appointed for three-year terms by the President of U. T. Pan American upon the recommendation of the Chair of the Department of Computer Science. Three members will serve as ex officio members and members may be appointed to a maximum of four terms.

At the conclusion of the Academic Affairs Committee meeting, Committee Chairman Miller reported that members of the Committee are making comprehensive physical tours of the academic component institutions and initiating discussions in order to understand the policy issues facing each institution.

In reference to the K-16 Initiative, Chairman Miller reported that Executive Vice Chancellor Sharpe has appointed a K-16 Leadership Council composed of 15 people from the nine academic institutions of The University of Texas System and chaired by Dr. Diana Natalicio, President of The University of Texas at El Paso.

He introduced Dr. Felipe Alanis, Assistant Vice Chancellor for Academic Affairs, and stated that Dr. Alanis will be a valuable asset to the U. T. System with his experience in public education at the Texas Education Agency.

Chairman Miller mentioned other areas of Committee interest including the broad issue of accountability and the Board of Education for the State of Texas ExCET (Examination for the Certification of Educators in Texas) tests and noted that the U. T. System produces a significant number of the teachers who are being accredited and work in Texas.

He then stated that one of the highest priorities for the Academic Affairs Committee is minority enrollment including the areas of recruitment, application, acceptance, retention, and graduation of minorities or at-risk children. This issue overlaps with interests of the Special Committee on Minorities and Women chaired by Regent Romero. Chairman Miller introduced Regent Hunt, a member of the committee, for a [report on minority enrollment](#) which is on file in the Office of the Board of Regents.

Regent Hunt noted that there had been discussion at the meeting about the biological revolution, the digital revolution, and the opportunities and challenges that they represent, but noted a third revolution: a demographic revolution that is much slower and more predictable in its outcome. He stated that in 2030, the projection is that 30% of the workforce will not have a high school diploma; only 10% will have graduated from college; and 5% or less will have a post-graduate degree. He questioned the kind of intervention needed from a higher education standpoint, from a business standpoint, and as a State objective in economic development and raised issues about the survival of higher education given the change in customers and their historic success ratios.

Regent Hunt then introduced President Natalicio who gave an overview of the El Paso Collaborative for Academic Excellence. President Natalicio stated that ten years ago, she looked at U. T. El Paso's strategic plan and noted too few high school graduates coming to the University, too few actually graduating from high school, and an enormous disparity in the feeder high schools to the University. She

spoke about the lack of a systemic approach that would improve achievement of all young people in the community by encouraging them to go into higher education to better prepare them for success. Dr. Natalicio introduced Dr. Susana Navarro, a native of El Paso and Executive Director of the El Paso Collaborative for Academic Excellence, who discussed the challenges related to an ever increasing proportion of students that are minority and low income who have not benefited to any significant degree from public education. A copy of [Dr. Navarro's report](#) is on file in the Office of the Board of Regents.

Dr. Navarro stated that the El Paso project has shown significant improvements in student academic achievement in all racial and ethnic groups which are among the highest in the State as measured by the Texas Assessment of Academic Skills (TAAS). She complimented the El Paso community which is eager to share with others across the State and beyond, and voiced appreciation of the support of the U. T. System.

Committee Chairman Miller thanked Drs. Natalicio and Navarro and noted that this project, which is a success story and one of the best programs that combines public education with higher education, has taken years of concentrated effort and broad community support and is a model which can be replicated.

Board Chairman Evans saluted the Committee and everyone involved in the program, noting that it takes leadership and local people solving local problems to bring about this kind of progress. In closing, President Natalicio emphasized the importance that communities understand the interdependencies of people and remarked that El Paso is at the cutting edge on issues of minority enrollment that will occur all over the State. She encouraged the U. T. System to take responsibility for the people in the State of Texas by encouraging them to achieve, stating that "their success will ultimately be our success."

Chairman Evans commented that, as society moves from an industrial-based economy to a knowledge-based economy, there is a growing concern about the disparity between the "haves" and "have-nots" and without education, a person will not be competitive. He remarked on the excitement of changing the mindset from K-12 to K-16 to prepare students to move on to an advanced degree, and he thanked Regent Hunt for his presentation and Regent Miller for his leadership of this Committee. Regent Hunt said he would make available information on demographics entitled "[Historical Patterns and Future Trends Affecting the Population of Texas](#)" by Dr. Steve H. Murdock, a professor in the Department of Rural Sociology at Texas A&M University. The report is on file in the Office of the Board of Regents.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 70 - 76).--Committee Chairman Loeffler joined the Chairman and members of the Board in expressing appreciation to President Wildenthal and personnel at The University of Texas Southwestern Medical Center at Dallas for hosting this meeting and expressed particular appreciation to the four Nobel laureates for their excellent presentations earlier in the meeting. He reported that the Health Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Medical Branch - Galveston: Authorization to Delegate Authority to the Executive Vice Chancellor for Health Affairs or his Delegate to Negotiate and Execute an Agreement for Clinical Equipment Management Services with ServiceMaster Management Services, L.P., Downers Grove, Illinois.--Upon recommendation of the Health Affairs Committee, authorization was granted by the U. T. Board of Regents, on behalf of The University of Texas Medical Branch at Galveston, to delegate authority to the Executive Vice Chancellor for Health Affairs or his delegate to negotiate and execute an agreement for clinical equipment management services with ServiceMaster Management Services, L.P., ("ServiceMaster"), Downers Grove, Illinois.

On September 25, 1998, U. T. Medical Branch - Galveston issued a Request for Proposal for clinical equipment management services. After an extensive review of the six proposals received, U. T. Medical Branch - Galveston recommended that the contract be awarded to ServiceMaster. ServiceMaster had the best qualifications and capabilities, a better management and implementation plan, the total amount of services offered was superior, and the bid presented the best cost model.

The agreement will be based on provision of a variety of clinical equipment services throughout U. T. Medical Branch - Galveston's large and complex clinical environment. ServiceMaster will provide services that can evolve to incorporate new technologies and has the flexibility to meet changing needs resulting from new health-care challenges.

ServiceMaster will provide a comprehensive program to manage all aspects of clinical equipment maintenance support and to develop and implement solutions to address challenges facing the institution. The agreement will extend over an initial period of four years, at a cost of \$20,848,239, representing cumulative cost savings of \$1,922,725. The agreement has an option for two additional three-year renewal terms.

2. U. T. Health Science Center - Houston: Establishment of a Doctor of Philosophy (Ph.D.) Degree in Health Informatics and Approval to Submit the Degree to the Coordinating Board for Approval (Catalog Change).-- Authorization was granted to establish a Doctor of Philosophy (Ph.D.) degree in Health Informatics at The University of Texas Health Science Center at Houston and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The Ph.D. degree in Health Informatics will be the first doctoral Health Informatics program in the State of Texas. The 93 semester credit hour program is designed to be a research-based transdisciplinary program involving students with a variety of backgrounds. Students will work together in teams to research real clinical and biomedical health problems. They will gain both the scientific background for such research and the skills needed to address the problems. The program is designed to meet the unique needs of each student by using a matrix curriculum plan with an advising committee to guide the student from admission through graduation. A faculty research mentor will guide each student through participation in research projects. Health Informatics is defined as the intersection of Information Science, Computer Science, and Cognitive Science on a base of Integrated Health Science, reflecting a transdisciplinary view of health sciences. The Department of Health Informatics in the School of Allied Health Sciences at U. T. Health Science Center - Houston will administer the program.

Currently there are 6.5 full-time equivalent (FTE) faculty positions filled in the Department of Health Informatics. An additional 1.5 FTE positions will be filled during the 1999-2000 academic year. Sixteen adjunct faculty appointed to the Department will come from a variety of disciplines and several institutions and have a wide mix of experiences in Informatics.

No new resources are required as the program will be funded from reallocation of resources remaining from closure of programs within the School of Allied Health Sciences. In the third year, student enrollment is expected to cover the incremental costs associated with this program. Existing funding allows for eight FTE faculty positions and sufficient budget for staff and supplies.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Health Science Center - Houston will be amended to reflect this action.

3. U. T. Health Science Center - San Antonio: Approval to Establish a Bachelor of Science Degree in Emergency Health Sciences; Authorization to Submit the Degree to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met.--The Health Affairs Committee recommended and the Board:
 - a. Established a Bachelor of Science degree in Emergency Health Sciences at The University of Texas Health Science Center at San Antonio
 - b. Authorized submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action
 - c. Authorized the Executive Vice Chancellor for Health Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

The Bachelor of Science in Emergency Health Sciences is a 123 semester credit hour program to be offered by the Department of Emergency Medical Technology (EMT) in the School of Allied Health Sciences at U. T. Health Science Center - San Antonio. The curriculum and degree program are designed to prepare students for work in various occupational settings in emergency health services systems. Emphasis is placed on preparing the student for professional and personal growth and development of leadership and management skills beyond the Emergency Medical Technician-Paramedic (EMT-P) certification level allowing for a career ladder within

Emergency Health Sciences (EHS). These objectives will be met through three levels of course work focus: emergency health sciences education, advanced practitioner, and emergency health sciences management. The anticipated date for accepting applications for enrollment is Fall 2000 with classes beginning in Spring 2001 with an expected enrollment of 10 students.

The curriculum is designed to offer a unique course of study that draws on the experienced faculty of the EMT Department while utilizing existing programs and expertise from within U. T. Health Science Center - San Antonio. The curriculum centers around the EHS core curriculum of 18 semester credit hours.

The faculty will be comprised of the existing members of the EMT Department including the department chair and two other full-time faculty members, as well as 10 registered nurses and six paramedics. These 19 full-time faculty members will serve as faculty for the EHS program and new faculty will be hired to assist in the offering of the EHS management curricula during year five.

The EMT Department will absorb the costs for the first five years of the EHS program estimated at \$407,394. The Department currently generates revenue through EMS medical direction, primary and continuing EMS education, and quality assurance direction for several municipal fire and EMS departments.

The degree program meets all applicable Coordinating Board criteria (8) for degree programs which may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

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

4. U. T. Health Science Center - San Antonio: Authorization to Accept a Cash Contribution in Lieu of Dedication of Approximately Six Acres in Edinburg, Hidalgo County, Texas, for Establishment of the Hidalgo County Medical Research Division of the Regional Academic Health Center (RAHC); Authorization to Transfer Funds to U. T. Pan American; and Authorization for the Executive Vice Chancellor for Health Affairs to Execute All Documents Related Thereto.--On November 11, 1998, the U. T. Board of Regents required a donation of land in connection with establishment of the Hidalgo County Medical Research Division of the Regional Academic Health Center (RAHC). This major research facility, which will be overseen and operated by The University of Texas Health Science Center at San Antonio, will be funded with \$15,000,000 from The University of Texas System Permanent University Fund Bond Proceeds contingent upon a local donation of land on which to build the RAHC facility.

U. T. officials identified approximately 12 acres of the already-owned former Lamar School site on the U. T. Pan American campus as the most appropriate location for the RAHC facility. Because U. T. Pan American paid \$450,000 to purchase this site in December 1998, it is recommended that the City of Edinburg simply reimburse the U. T. Board of Regents for its \$450,000 contribution, as opposed to buying and donating a separate tract of land for the RAHC. The U. T. Board of Regents would then allocate an appropriate portion of the Lamar School site for use by the U. T. Health Science Center - San Antonio for the Hidalgo County Medical Research Division of the RAHC.

[Note: The Edinburg Hospital Authority made two lease payments of \$225,000 each in January 1997 and January 1998 to the Edinburg Consolidated Independent School District (the former owner of the Lamar School site) to offset a portion of the purchase price paid by the U. T. Board of Regents for the property in December 1998. During the term of the two-year lease from the school district, U. T. Pan American subleased the Lamar School site from the Edinburg Hospital Authority and taught occupational therapy and healthcare classes for the Edinburg Hospital Authority.]

In accordance therewith and upon recommendation of the Health Affairs Committee, the Board:

- a. Authorized the U. T. Health Science Center - San Antonio to accept a cash contribution of \$450,000 from the City of Edinburg in lieu of approximately six acres of land on which to establish the Hidalgo County Medical Research Division of the RAHC on the campus of U. T. Pan American in Edinburg, Hidalgo County, Texas
- b. Authorized the transfer of these funds to U. T. Pan American as reimbursement for the funds expended to purchase the subject property from the Edinburg Consolidated Independent School District on December 31, 1998
- c. Authorized the Executive Vice Chancellor for Health Affairs to execute all documents, instruments, and other agreements, and take all such actions deemed necessary to carry out the purpose and intent of the foregoing actions.

Committee Chairman Loeffler introduced Mr. Joe Ochoa, Mayor of the City of Edinburg, Representative Juan Hinojosa, City Manager John Milford, Mayor Pro tem Roy Peña, City Councilman Arnoldo Benavides, and Mr. Robert Peña, Director of the Edinburg Economic Development Corporation. He then asked Mayor Ochoa for any remarks to the Board.

Mayor Ochoa thanked the Board for the opportunity to speak and expressed appreciation to Chancellor Cunningham, Executive Vice Chancellor Mullins, President Howe, President Nevárez, and State Representative Juan Hinojosa for their great contribution and leadership to bring this long-term goal for the City of Edinburg and the Rio Grande Valley to fruition. On behalf of the citizens of the City of Edinburg, Mayor Ochoa stated it was a privilege to make this contribution to ensure progress in the Rio Grande Valley and presented a check in the amount of \$450,000 to Chairman Donald L. Evans.

Representative Hinojosa also thanked the U. T. Board of Regents, the U. T. System, and Chancellor Cunningham for their leadership in encouraging education in the Valley and in the State of Texas which will ensure a skilled workforce and an improved economy.

Committee Chairman Loeffler extended his appreciation to Representative Hinojosa and Mayor Ochoa for this wonderful step forward and complimented the participation of the cities of Edinburg with Harlingen and Brownsville, and hopefully McAllen in the future, in bringing the central parts of the Lower Rio Grande Valley to this effort. He also thanked Regent Sanchez for his work to make the RAHC a reality.

Board Chairman Evans thanked those involved in this effort and said that the treasures of South Texas, such as the RAHC, are in good hands.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 77 - 93).--Committee Chairman Clements reported that the Facilities Planning and Construction Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. She noted that all items related to the Capital Improvement Program were the subject of discussion on November 10, 1999. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Facilities Planning and Construction Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. El Paso: Authorization to Redesignate the New Kinesiology and Sports Studies Facility as the Larry K. Durham Sports Center (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Honorific Namings).--In recognition of the significant contribution and commitment that Mr. Larry K. Durham has made to the kinesiology and sports studies facility at The University of Texas at El Paso, approval was given to redesignate the facility as the Larry K. Durham Sports Center. This naming is consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, and institutional guidelines on the naming of buildings.

This project, which is included in the FY 2000-2005 Capital Improvement Program at a preliminary project cost of \$6,600,000, will construct a new 50,000 gross square feet (GSF), multistoried building to replace the existing sports medicine facility.

The 76th Texas Legislature appropriated \$2,000,000 for the construction of a new facility on the campus to house kinesiology and sports studies programs. Mr. Durham has made a commitment of at least \$3,000,000 for the construction of the Center, with the hope that his generosity will inspire further commitments for the full funding of the estimated \$6,600,000 facility.

2. U. T. System: Approval to Adopt the Six-Year Capital Improvement Program (CIP) for Fiscal Year 2000-2005; Approval of the Capital Budget for Fiscal Year 2000-2001; Redesignation of Previously Approved Projects in the CIP; Reduction of Previously Appropriated Funds for Repair and Rehabilitation Projects Deleted or Decreased in Scope; Appropriation of Additional Funds for Previously Approved Projects with Increased Total Project Costs; Appropriation of Funds for New Repair and Rehabilitation Projects Initiated in the Capital Budget; and Approval of the Use of Revenue Financing System Parity Debt for Repair and Rehabilitation Projects Initiated in the Capital Budget for Which Revenue Financing System Bonds are Identified as a Funding Source, Receipt of the Parity Debt Certificate from the U. T. System Representative, and Determination that the Component Institutions for Whom the Parity Debt is being Requested Possess the Financial Capacity to Satisfy their Respective Debt Obligation.--The Board acted as follows:
- a. Adopted The University of Texas System Capital Improvement Program (CIP) for Fiscal Year 2000-2005
 - b. Approved the Capital Budget for Fiscal Year 2000-2001
 - c. Approved the redesignation of projects in the CIP as set forth on Page 81
 - d. Reduced previously appropriated funds in an aggregate amount of \$63,138,000 for repair and rehabilitation projects deleted or decreased in scope in the FY 2000-2001 Capital Budget as reflected on Pages 82 - 85
 - e. Appropriated additional funding for previously approved repair and rehabilitation projects with increased total project costs in an aggregate amount of \$31,481,000, as reflected in the FY 2000-2001 Capital Budget and as set forth on Pages 82 - 85
 - f. Appropriated additional funding of \$3,800,000 in Hospital Revenues and approved a new total project cost of \$17,400,000 for the previously approved Jesse H. Jones Rotary House International Phase II at The University of Texas M. D. Anderson Cancer Center to add a pedestrian bridge complex to the Rotary House and Faculty Center

- g. Appropriated funding in an aggregate amount of \$117,702,000 for new repair and rehabilitation projects initiated in the FY 2000-2001 Capital Budget, as reflected on Pages 82 - 85
- h. Approved the use of \$19,630,000 of Revenue Financing System Parity Debt for repair and rehabilitation projects initiated in the FY 2000-2001 Capital Budget for which Revenue Financing System Bonds have been identified as all or a portion of the funding for the U. T. System component institutions as set forth on Page 86.

Further, the U. T. System Administration was authorized, in consultation with the component institutions, to proceed with planning for projects contained in the CIP and to bring recommendations to the Chancellor and the U. T. Board of Regents in accordance with the Regents' Rules and Regulations, Part Two, Chapter VIII and the revised process for Regental review, approval, and oversight of the CIP approved at the December 1994 meeting.

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 a U. T. System Representative as set out on Page 87, the Board resolved that:

- a. Parity Debt shall be issued to pay the projects' costs including any project costs prior to the issuance of such Parity Debt
- b. 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
- c. The University of Texas at Austin, The University of Texas - Pan American, The University of Texas of the Permian Basin, and The University of Texas at San Antonio, 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 \$19,630,000

- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The CIP is a six-year projection of major repair and rehabilitation and construction projects to be implemented and funded from component and System-wide revenue sources. Projects included in the CIP correspond to the highest priority needs identified in the long-range strategic planning process and institutional capital renewal plans.

Adoption of the CIP authorizes U. T. System Administration and the institutional Administration to expend up to 3% of the preliminary project cost of a project to develop the formal Project Building Program document, select the Project Architect, and develop preliminary project plans. These funds will be appropriated by the component initially but may be reimbursed from project funds after design development approval and appropriation of project funds by the U. T. Board of Regents.

The Capital Budget is the first two years of the six-year CIP. Approval of the Capital Budget authorizes and appropriates funding amounts and sources for identified major repair and rehabilitation projects that are not architecturally or historically significant. Authorization of these projects and appropriation of these funds allow these projects to be presented to the Chancellor for design development plan approval and authorization for expenditure of funds, and subsequent execution of the project by the administrative staff, without returning to the U. T. Board of Regents for further approvals. However, for all other major capital projects, the U. T. Board of Regents approves the design development plans and appropriates funding.

Several projects in the CIP identify General Revenue as a funding source. The ability to use General Revenue to fund construction costs for institutions is the subject of a request for opinion from the Texas Attorney General. If the use of General Revenue for construction costs is ruled unconstitutional, another funding source will be identified for the projects and the CIP will be amended to reflect that change in funding source.

THE UNIVERSITY OF TEXAS SYSTEM
FY 2000-2005 Capital Improvement Program

PROJECTS REDESIGNATED IN THIS CIP

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<u>Institution</u>	<u>Previously Approved Project Name</u>	<u>Redesignated Project Name</u>
<u>U. T. Arlington</u>	Carlisle Hall Renovation-Stairwell Towers Add'n New Residence Hall	Carlisle Hall — Stairwell Towers Addition Residence Hall
<u>U. T. Austin</u>	ADA Compliance Modifications and Improvements Applied Research Laboratory Expansion Landscaping & Campus Gateways McDonald Observatory Visitor Center Student Health Center Building Renovation	ADA Compliance Modifications and Improvements — Phase I Applied Research Laboratories Expansion Campus Improvements to Streets, Landscaping, Gateways, and Signage McDonald Observatory Visitors' Center Old Student Health Center Renovation
<u>U. T. Dallas</u>	Satellite Facility/Callier Center/Building A Addition Upgrade/Equip/Renovate Founders/Berkner Buildings	Callier Center Addition Founders Building Renovation
<u>U. T. Tvlr</u>	Longview Higher Education Center	Longview University Center
<u>U. T. S.M.C. Dallas</u>	North Campus Expansion — Phase III Radiation Oncology Center Clinical Faculty Offices	North Campus Phase 3 North Campus Expansion — Radiation Oncology Center Addition to the Charles C. Sprague Clinical Sciences Center
<u>U. T. MB. Galveston</u>	Expanded Medical Curriculum Facility	Student Learning Center
<u>U. T. H.S.C. Houston</u>	Addition of Student Apartments	Addition of Student Apartments/Expansion of Child Development Center
<u>U. T. M.D.A.C.C.</u>	Basic Research Bldg. Exhaust System Parking Structure & Medical-Model Fitness Center	Basic Research Building Exhaust System — Phase I Fitness Center
<u>U. T. H.C. Tvlr</u>	Biomedical Research Wing Addition — Phase I	Biomedical Research Wing Addition

**The University of Texas System
Fiscal Year 2000-2001 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
UT Arlington					
ADA Compliance Projects	5,364,883				5,364,883
Campus Asbestos Abatement	1,875,582				1,875,582
Educational & General Space Renovation	4,350,000	(1,612,000)			2,738,000
Thermal Energy Plant/Chiller Replacement & Retrofit	4,020,000				4,020,000
Subtotal	15,610,465	(1,612,000)			13,998,465
UT Austin					
ADA Compliance Modifications & Improvements Ph I	6,000,000				6,000,000
ADA Compliance Modifications & Improvements Ph II				6,000,000	6,000,000
Bellmont Hall Renovation				7,100,000	7,100,000
Benedict/Mezes/Batts Renovation - Phase I				6,000,000	6,000,000
Chilling Station Expansion	17,900,000				17,900,000
Disch Falk Field - Replacement of Artificial Turf	1,500,000				1,500,000
Dorothy Gebauer Bldg Restoration	8,200,000				8,200,000
Frank Denius Fields - Exp. of Artificial Playing Field				1,200,000	1,200,000
Hogg Auditorium Renovation				8,000,000	8,000,000
Jester Center Dining Renovation	13,000,000				13,000,000
Jester Center Fire and Life Safety Renovation	6,000,000		9,000,000		15,000,000
Old Student Health Center Renovation	12,000,000		15,000,000		27,000,000
Ransom Center Renovation	5,000,000		1,000,000		6,000,000
Texas Swim Center Renovation - Phase I	2,000,000				2,000,000
Subtotal	71,600,000		25,000,000	28,300,000	124,900,000

**The University of Texas System
Fiscal Year 2000-2001 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
<u>UT Dallas</u>					
Founders Building Renovation	3,100,000				3,100,000
McDermott Library Renovation - Phase II	1,000,000				1,000,000
Subtotal	4,100,000				4,100,000
<u>UT El Paso</u>					
Sun Bowl Structural Repairs	2,000,000		850,000		2,850,000
Upgrade & Replace Building Support Systems	4,800,000				4,800,000
Upgrade Older Classrooms & Teaching Labs	9,200,000				9,200,000
Subtotal	16,000,000		850,000		16,850,000
<u>UT Pan American</u>					
Education Complex Renovation				6,000,000	6,000,000
Math Building Renovation	2,000,000		880,000		2,880,000
Subtotal	2,000,000		880,000	6,000,000	8,880,000
<u>UT Permian</u>					
Critical Repair & Renovation Projects	700,000	(700,000)			0
Student Union				1,500,000	1,500,000
Thermal Energy Plant Upgrade/Mesa Bldg Retrofit	5,800,000				5,800,000
Subtotal	6,500,000	(700,000)		1,500,000	7,300,000
<u>UT San Antonio</u>					
1604 Campus Thermal Energy Plant Upgrade				9,000,000	9,000,000
Subtotal				9,000,000	9,000,000
<u>UT Tyler</u>					
Upgrade/Equip/Ren Campus Bldgs & Infrastructure	5,829,682				5,829,682
Subtotal	5,829,682				5,829,682

**The University of Texas System
Fiscal Year 2000-2001 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
<u>UT Southwestern Medical Center - Dallas</u>					
Anatomy Lab Remodel				2,600,000	2,600,000
Remodel Jonsson Basic Science Research Building				2,400,000	2,400,000
Remodel Cecil & Ida Green Science Bldg	2,000,000	(2,000,000)			0
Thermal Energy Plant - Phase II	8,600,000		344,000		8,944,000
Subtotal	10,600,000	(2,000,000)	344,000	5,000,000	13,944,000
<u>UT Medical Branch - Galveston</u>					
Administration Bldg Renovation - Levels 1, 3 & 4	4,500,000	(4,500,000)			0
Graves Bldg & MM Not-then Pavilion Remodel	12,500,000				12,500,000
John Sealy Hospitals Complex Renovation	14,800,000	(7,800,000)			7,000,000
Keiller Building Laboratory Expansion	2,461,331				2,461,331
Library Facilities Upgrade	7,900,000				7,900,000
Operating Suite Modifications	5335,000				5,335,000
Radiology Renovation	13,810,000				13,810,000
Rebecca Sealy Hospital Renovation	25,600,000	(15,750,000)			9,850,000
Research Support Ctr. Renovation & Expansion	14,326,000	(14,326,000)			0
Specialty Clinics Renovation - Phase I	3,000,000	(3,000,000)			0
Student Learning Center (Expanded Med Cur Fac)	5,600,000		2,692,000		8,292,000
Transplant Program Facilities	5,000,000	(5,000,000)			0
TDCJ Hospital Cladding Restoration	6,560,000				6,560,000
Utility System Upgrade	12,700,000				12,700,000
Subtotal	134,092,331	(50,376,000)	2,692,000		86,408,331
<u>UT Health Science Center - Houston</u>					
Indoor Air Quality at the Medical School	10,000,000				10,000,000
Med School Bldg/Limestone Cladding Repairs	10,000,000				10,000,000
MSB Multipurpose Exec & Ed Conference Room	1,550,000	(1,550,000)			0
University Center Tower Renovation	3,600,000	(3,600,000)			0
Subtotal	25,150,000	(5,150,000)			20,000,000

**The University of Texas System
Fiscal Year 2000-2001 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
<u>U T Health Science Center S a n</u>					
Central Energy Plant & Conservation Retrofits	6,772,000				6,772,000
Subtotal	6,772,000				6,772,000
<u>UTMD Anderson Cancer Center</u>					
Basic Research Building Exhaust System - Phase I	2,700,000				2,700,000
Biochemistry and Molecular Biology Lab Reno	1,900,000				1,900,000
Bone Marrow Transplantation Laboratory	4,100,000				4,100,000
Combined Backfill - Phase I, Stage I and II	23,588,000				23,588,000
Combined Backfill Renovation - Phase II	32,000,000	(3,300,000)			28,700,000
Combined Backfill - Phase III				48,312,000	48,312,000
Dock & Service Corridor Improvements	16,500,000				16,500,000
Life Safety/Fire Access/Pedestrian Traffic Improvement at Clark Entrance	3,500,000				3500,000
Lutheran Pavilion Patient Tower Refurbishment				9,700,000	9,700,000
Research Lab Renovations	11,800,000				11,800,000
Roof Replacement Gimbel, Bates Freeman Anderson Center, New Clark	4,000,000				4,000,000
Science Park Research Div Infrastructure Upgrades				6,300,000	6,300,000
Subtotal	100,088,000	(3,300,000)		64,312,000	161,100,000
<u>UT Health Center- Tyler</u>					
Completion Third Floor Shell Space in the Ambulatory Care Center	1,100,000		1,715,000		2,815,000
Electrical Distribution System Upgrade Phase III				2,370,000	2,370,000
Roof Replacement - Buildings A, B, C, and D				1,220,000	1,220,000
Subtotal	1,100,000		1,715,000	3,590,000	6,405,000
Totals	399,442,478	(63,138,000)	31,481,000	117,702,000	485,487,478

THE UNIVERSITY OF TEXAS SYSTEM
 Appropriation of
 Revenue Financing System Debt
 for Repair and Rehabilitation Projects in the
 FY 2000-2001 Capital Budget

<u>Campus</u>	<u>Projects</u>	Total Project <u>Costs</u>	Amount of <u>Revenue Bonds</u>	Maximum Annual Debt Service <u>for Project</u>	<u>Campus Level Ratios</u>		
					Range over period FY 1999-2004		
					<u>Debt Coverage</u>	<u>Service</u>	<u>Debt Service as a % of Total Budget</u>
U.T. Austin	Jester Center Fire and Life Safety Renovation (a)	\$15,000,000	\$7,500,000	\$707,947	1.53x - 1.99x		4.1% - 4.9%
U.T. Pan American	Education Complex Renovation	6,000,000	2,000,000	188,785	9.5x - 11.3x		5.7% - 6.3%
U.T. Permian Basin	Student Union	1,500,000	1,130,000	106,664	2.96x - 1.4x		3.7% - 12.4%
U.T. San Antonio	1604 Campus Thermal Energy Plant Upgrade	<u>9,000,000</u>	<u>9,000,000</u>	988,554	1.2x - 2.2x		5.6% - 10.6%
		\$31,500,000	\$19,630,000				

(a) \$6 million of Revenue Bonds for this project were previously approved by the U. T. Board of Regents on May 13, 1999.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the repair and rehabilitation cost at U. T. Austin, U. T. Pan American, U. T. Permian Basin, and U. T. San Antonio, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 6th day of October, 1999

/s/ Pamela K. Clayton
Assistant Vice Chancellor for Finance

3. U. T. Pan American - Student Housing (Project No. 901-972): Approval of Design Development Plans; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity.--Following a presentation on the Student Housing project at The University of Texas - Pan American by Mr. Rick Archer of Overland Partners, Inc., San Antonio, Texas, representing the Design-Build Team of First Worthing Company, Dallas, Texas, the Board:
 - a. Approved design development plans for the Student Housing project at U. T. Pan American
 - b. Approved a total project cost of \$5,000,000
 - c. Authorized appropriation and expenditure of \$5,000,000, with funding from Revenue Financing System Bond Proceeds.

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 as set out on Page 89, the Board resolved that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. 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
- c. U. T. Pan American, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$5,000,000

- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Student Housing project at U. T. Pan American is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget, with funding of \$9,500,000 from Revenue Financing System Bond Proceeds.

Originally envisioned to accommodate approximately 400 students, the revised scope of the project will develop 60,000 gross square feet for new housing for approximately 200 students, with funding of \$5,000,000 from Revenue Financing System Bond Proceeds and occupancy scheduled for Summer 2000.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Student Housing at U. T. Pan American, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 6th day of October, 1999

/s/ Pamela K. Clayton
Assistant Vice Chancellor for Finance

4. U. T. San Antonio - Downtown Campus Building - Phase III (Parking Garage) (Project No. 401-975): Approval of Design Development Plans; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity.--Following a presentation by Mr. Roy Lowey-Ball of Ford, Powell & Carson, Inc., San Antonio, Texas, representing the Design-Build Team of Centex Construction Company, Dallas, Texas, and Ford, Powell & Carson, Inc., the Board:
- a. Approved design development plans for the Downtown Campus Building - Phase III (Parking Garage) at The University of Texas at San Antonio
 - b. Appropriated funds and authorized expenditure of \$5,000,000, with funding from Tuition Revenue or Revenue Financing System Bond Proceeds.

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 as set out on Page 92, the Board resolved that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. 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
- c. U. T. 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 in the aggregate amount of \$5,000,000

- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Downtown Campus Building - Phase III at U. T. San Antonio is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a total project cost of \$35,000,000.

The Downtown Campus Building - Phase III project consists of the design and construction of an academic building and a parking garage approved by the U. T. Board of Regents in May 1999. The master plan for the Downtown Campus includes a total of five academic buildings and a parking garage.

The parking garage will provide approximately 350 parking spaces along the east boundary of the U. T. San Antonio Downtown Campus. Presently, all parking for the Downtown Campus is located under Interstate Highway 35. Construction is projected for completion in Spring 2001. When construction is complete, individuals with disabilities will be able to park in the garage, which will be adjacent to the academic buildings.

The 75th Texas Legislature authorized \$50,000,000 of tuition bonds to be issued for U. T. San Antonio. Additional tuition bond authority of \$15,000,000 will remain for U. T. San Antonio after the issuance of the tuition bonds for this project.

Committee Chairman Clements praised the design of the underground garage and noted it did not involve significant additional expense.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Downtown Campus Building – Phase III (Parking Garage) at U. T. San Antonio, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 6th day of October, 1999

/s/ Pamela K. Clayton
Assistant Vice Chancellor for Finance

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At the conclusion of the Facilities Planning and Construction Committee meeting, Committee Chairman Clements reported that, since the last regular meeting, the Chancellor had approved four (4) general construction contracts totaling \$18,891,350 which included participation of 13.21% by Historically Underutilized Businesses, 6.5% by women-owned firms and 6.71% by minority-owned firms. In addition, one (1) architect/engineer contract for \$362,208 has been awarded since the last meeting for participation of 2.21% by Historically Underutilized Businesses, 0.28% by women-owned firms and 1.93% by minority-owned firms.

RECONVENE.--At 12:43 p.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEMS FOR THE RECORD

1. U. T. System: Report on Status of Degree Programs and Academic Organization Requests Approved by the U. T. Board of Regents and Sub-mitted to the Texas Higher Education Coordinating Board for the Period September 1, 1998 Through August 31, 1999.--Following is a report for the record on the status of degree programs and academic organization requests within The University of Texas System which have been approved by the U. T. Board of Regents for submission to the Texas Higher Education Coordinating Board. Included are items which have been acted upon by the Coordinating Board since September 1, 1998, or were still pending before the Coordinating Board as of August 31, 1999. Four regular Coordinating Board meetings have occurred since the last report. Full approval has been given for 12 programs and administrative change requests, four requests are now pending, one has been postponed by the component, and one has been withdrawn by the institution.

- a. Degree Programs and Academic Administrative Changes Approved by the Coordinating Board for Implementation

U. T. Brownsville

Created a Bachelor of Science (BS) degree in Allied Health

Created a Master of Arts (MA) degree in History

U. T. Dallas

Created a Master of Arts (MA) and a Master of Science (MS) degree with a major in Applied Sociology

Created a Master of Science (MS) degree with a major in Computer Engineering

Created a Bachelor of Arts (BA) degree with a major in Crime and Justice Studies

Created a Master of Science (MS) degree in Medical Management

U. T. El Paso

Created a Doctor of Philosophy (PhD) degree in History

U. T. Pan American

Created a Doctor of Education (EdD) degree with a major in Educational Leadership

U. T. San Antonio

Created a Master of Science (MS) degree in Justice Policy

U. T. Medical Branch - Galveston

Modified the Master in Physical Therapy (MPT) degree program from a 3+3 to a 4+2 curriculum model

U. T. Health Science Center - Houston

Changed the name of the Department of General Dentistry to the Department of Restorative Dentistry and Biomaterials, and the Department of Health Promotions and Dental Care Delivery to the Department of Dental Public Health and Dental Hygiene

- b. Requests Approved by the U. T. Board of Regents and Pending with the Coordinating Board

U. T. Dallas

To create a Bachelor of Arts (BA) degree in Gender Studies

U. T. El Paso

To create a Master of Science (MS) degree in Information Technology

U. T. San Antonio

To create a Doctor of Philosophy (PhD) degree in Culture, Literacy, and Language

U. T. M. D. Anderson Cancer Center

To create a Bachelor of Science in Allied Health (BSAH) degree with majors in Cytogenetic Technology, Cytotechnology, Medical Technology, Medical Dosimetry, and Radiation Therapy

- c. Item Approved by the U. T. Board of Regents, Sent to the Coordinating Board, and Subsequently Postponed by the Institution

U. T. Health Science Center - San Antonio

Degree-granting authority for a cooperative Master of Physical Therapy (MPT) program with U. T. Pan American

- d. Item Approved by the U. T. Board of Regents, Sent to the Coordinating Board, and Subsequently Withdrawn by the Institution

U. T. Pan American

Request to create a Master of Arts (MA) in Criminal Justice withdrawn as a result of previous approval of a joint Master of Science (MS) degree in Criminal Justice with U. T. Brownsville

2. U. T. System: Report on Status of Administratively Approved Academic Program Changes for the Period September 1, 1998 Through August 31, 1999.--In accordance with U. T. Board of Regents' policy, the Executive Vice Chancellors for Academic and Health Affairs were authorized to forward certain academic program changes to the Texas Higher Education Coordinating Board for approval at the staff level, subject to periodic reporting to the U. T. Board of Regents for the record.

These changes, considered to be "nonsubstantive" according to the Coordinating Board's terminology, must meet the following criteria:

- a. No implications for changes in institutional role and scope, consistent with the institutional mission, and with the institutional Tables of Programs approved by the U. T. Board of Regents and the Coordinating Board
- b. No significant new costs

- c. No issues of unnecessary duplication with programs at other institutions
- d. Potential for high quality programming obvious from institution's previous experience in the same or closely related subject field.

In general these "nonsubstantive" requests are for changes in degree designation for activity already being offered at the institutions under other approved program titles.

Four regular Coordinating Board meetings have occurred since the last report. Full approval of 50 nonsubstantive requests for the U. T. System component institutions has been granted by the staff of the Coordinating Board during the period from September 1, 1998, through August 31, 1999, as follows:

U. T. Arlington (9 items)

Restructured teacher education programs to:

Reorganize its authorized master's-level program in Education to include two majors: Master of Education (MEd) in Curriculum and Instruction and Education Administration with Mid-Management Certificate

Expand the authorized Early Childhood Endorsement to a Bachelor of Arts (BA) degree with a major in Child Studies, in collaboration with two-year institutions in the North Central Texas area, to move students from associate degrees in child development to teacher certification

Reorganize its authorized program in elementary teacher preparation to offer a Bachelor of Arts in Interdisciplinary Studies (BAIS) and a Bachelor of Science in Interdisciplinary Studies (BSIS)

Offer graduate-level Post-Baccalaureate Certification courses for de-greed students seeking Teacher Certification

Moved the Department of Exercise, Sport and Health Studies from the College of Liberal Arts to the School of Education

Changed the name of the Center for Professional Teacher Education to the School of Education

Offered a Master of Science (MS) in Health Care Administration that utilizes previously authorized U. T. Arlington business management master's-level courses and programs

Offered a Master of Science (MS) in Logistics as a collaborative effort of the Colleges of Business Administration and Engineering, which will utilize currently authorized courses in the two Colleges

Changed the name of the Honors Program to the Honors College

U. T. Austin (11 items)

Offered a self-financed Engineering Management program within the authorized Master of Science (MS) in Engineering degree for engineering professionals

Within the currently authorized Master of Science in Social Work (MSSW) degree with a major in Social Work, offered a program in Clinical Social Work. This change will replace two authorized concentrations with one concentration.

Offered a Post-Master's Certificate Program in Pediatric Nurse Practitioner and a Post-Master's Certificate Program in Family Nurse Practitioner to licensed registered nurses, utilizing courses in the currently authorized master's degree programs

Offered a Graduate Certificate in Mexican American Studies utilizing courses in authorized degree programs

Changed the name of the Division of Biological Sciences to the School of Biological Sciences and phased out the Departments of Botany, Microbiology, and Zoology

Changed the name of the Division of Continuing Education to the Division of Continuing and Extended Education

Changed the name of the Department of Germanic Languages to the Department of Germanic Studies and made parallel changes for the graduate program and the undergraduate degree major

Changed the name of the existing Bachelor of Arts degree with a major in Home Economics to a major in Human Ecology

Changed the name of the Bachelor of Arts degree with major in Russian to a major in Russian and Slavic Studies

Changed the name of the Department of Slavic Languages to the Department of Slavic Languages and Literatures

Changed the name of the Department of Speech Communication to the Department of Communication Studies, and made parallel changes in the names of the degree programs at the undergraduate, master's, and doctoral level

U. T. Austin and U. T. Dallas (1 item)

Offered a self-financed joint Master of Business Administration degree program with a major in Business Administration at Texas Instruments in Dallas, utilizing currently authorized degree programs of these institutions

U. T. Austin and U. T. Medical Branch - Galveston (1 item)

Offered a joint degree program leading to the Doctor of Philosophy in Biomedical Engineering from U. T. Austin and a Doctor of Medicine degree from U. T. Medical Branch - Galveston, utilizing authorized programs at these institutions

U. T. El Paso (6 items)

Offered a Master of Arts in Teaching (MAT) degree with a major in English, utilizing existing courses in English and Education

Offered a major of General Business within the authorized Bachelor of Business Administration (BBA) degree

Offered a major of Production/Operations Management within the authorized Bachelor of Business Administration (BBA) degree

Offered an option in Bilingual Special Education under the existing Master of Education (ME) degree

Offered the program in Family Nurse Practitioner as a separate program within the authorized Master of Science (MS) in Nursing degree, rather than as an option within the major in Community Health Nursing

Changed the names of the College of Nursing and Health Sciences to the College of Health Sciences, the Department of Nursing to the School of Nursing, and the Department of Health Sciences to the School of Allied Health

U. T. Pan American and U. T. Austin (1 item)

Offered an 18 semester credit hour undergraduate Certificate Program in Legal Reasoning at U. T. Pan American in collaboration with the U. T. Austin School of Law

U. T. Permian Basin (3 items)

Reorganized options within the authorized Master of Arts in Education (MAE) degree, replacing four current options with three programs: Educational Leadership, Professional Education, and Bilingual/English as a Second Language (ESL)

Offered a Bachelor of Science (BS) degree with a major in Environmental Science, as an interdisciplinary program utilizing existing courses in several authorized programs

Offered a Bachelor of Arts (BA) degree with a major in Multidisciplinary Studies, utilizing authorized courses and programs in the College of Arts and Sciences

U. T. San Antonio (8 items)

Offered a Master of Arts degree with a major in Economics, utilizing courses and faculty in the existing Master of Business Administration (MBA) concentration in Business Economics

Offered a Master of Science (MS) degree with a major in Finance, utilizing courses and faculty in the existing Master of Business Administration (MBA) concentration in Finance

Offered a program in Curriculum and Instruction leading to the Master of Arts (MA) degree with a major in Education and post-baccalaureate initial certification. This constituted final approval of a pilot program approved in 1999.

Added a concentration in Reading and Literacy to the approved Master of Arts (MA) degree with a major in Education

Offered a four-course concentration in Health Care Management within the existing Master of Business Administration (MBA) degree

Repackaged existing courses in computer science, business administration, and technology management to offer a Master of Science (MS) in Information Technology (MSIT) degree with major in Information Technology

Offered a concentration of Small Business and Entrepreneurship of 24 semester credit hours within the existing Bachelor of Business Administration (BBA) in Management degree program

Changed the program in Building Development leading to the Bachelor of Business Administration (BBA) degree with a major in Management to a Bachelor of Business Administration (BBA) degree with a major in Building Development

U. T. Tyler (2 items)

Changed the name of the Master of Arts (MA) in Curriculum and Instruction to Master of Arts (MA) in Teaching

Designated the major academic units as Colleges; divided the existing Department of Humanities into a Department of Literature and Languages and a Department of History and Philosophy; created a School of Visual and Performing Arts in the College of Liberal Arts and phased out the Departments of Art and Music; changed the name of the existing Department of Theater and Communication to the Department of Communication; and moved the Bachelor of Arts (BA) in Theater degree program to the School of Visual and Performing Arts

U. T. Southwestern Medical Center - Dallas (5 items)

In conjunction with the authorized PhD program in Integrative Biology offered a Master of Science (MS) degree with a major in Integrative Biology

Changed the name of the program in Biochemistry and Molecular Biology leading to the Master of Science (MS) and Doctor of Philosophy (PhD) degrees to a program in Biological Chemistry

Changed the name of the Department of Cell Biology and Neuroscience to the Department of Cell Biology

Changed the name of the Department of Molecular Biology and Oncology to the Department of Molecular Biology

Changed the name of the Department of Otorhinolaryngology to the Department of Otolaryngology - Head and Neck Surgery

U. T. Health Science Center - Houston (3 items)

Offered a program in Environmental and Molecular Carcinogenesis leading to the existing Master of Science (MS) and Doctor of Philosophy (PhD) degrees with a major in Biomedical Sciences

Offered the clinical specialty component courses of the Master of Science (MS) in Nursing degree in Psychiatric/Mental Nursing at U. T. Pan American and Texas Tech University Health Sciences Center

Changed the name of the program in Virology leading to the Master of Science (MS) and Doctor of Philosophy (PhD) degrees from majors in Biomedical Sciences to programs in Virology and Gene Therapy

3. U. T. Austin - A. W. Walker Centennial Chair in the School of Law: Amendment to Minute Order of December 13, 1984, to Correct Appointment.--At the December 13, 1984 meeting, the Board appointed Professor John F. Sutton, Jr., School of Law, at The University of Texas at Austin to the A. W. Walker Centennial Chair in Law effective January 16, 1985. The original appointment request from U. T. Austin was in error and should have asked that Professor Sutton be appointed to the A. W. Walker Centennial Chair.

The December 13, 1984 action is herewith amended to show that Professor Sutton was appointed to the A. W. Walker Centennial Chair effective January 16, 1985. The A. W. Walker Centennial Chair in Law is held by Professor George E. Dix.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

The Board for Lease of University Lands met on Wednesday, July 21, 1999, in the Board of Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, for a general business meeting.

Following is a report on the July 21, 1999, general business meeting:

- a. Approved the Minutes of the May 19, 1999, meeting of the Board for Lease
- b. Appointed Ms. Nora Ochoa Evans as Secretary to the Board for Lease
- c. Approved the application of Henry Petroleum Corporation for approval of a proposed secondary Recovery Unit in Portions of Sections 37, 38, 47, and 48, Block 9, Andrews County, Texas
- d. Approved forms adopted by the Executive Director pursuant to Section 4.31 of the Rules of the Board for Lease
- e. Met in Executive Session pursuant to authority granted under Section 551.071 of the Texas Government Code regarding pending or contemplated litigation (Cause No. 95-08680 in the District Court of Travis County, Texas, 345th Judicial District).

OTHER MATTERS

U. T. Board of Regents: Report on the Search for a New Chancellor.--Chairman Evans called on Vice-Chairman Loeffler, Chairman of the Special Subcommittee on Input for the Chancellor's Search, for a progress report on activities on the search for a new Chancellor for The University of Texas System. Subcommittee Chairman Loeffler reported that the Subcommittee, which was appointed by Board Chairman Evans in August 1999, consists of himself, Vice-Chairman Clements, Regent Oxford, and Regent Romero. He noted that Regents Hunt, Miller, and Sanchez have also participated in various meetings and in addition to the four public

focus group meetings held in Houston, El Paso, McAllen, and Dallas, two meetings would be held on November 17, 1999, in San Antonio and Austin to conclude the public outreach portion of the search.

Subcommittee Chairman Loeffler stated that Board Chairman Evans had signed more than 2,500 letters to various interested parties within and outside the U. T. System and said that the caliber of participation at the meetings had been excellent. He noted that some differing ideas and opinions related to qualifications were heard, that a high interest in diversity was a prominent theme at the meetings, and that recommendations of individuals for the position of Chancellor had come forth, but he noted disappointment in the low turnout at the meetings. Subcommittee Chairman Loeffler thanked the Board for the opportunity for all Texans to participate in this major responsibility to determine who will be the next chief executive officer of the U. T. System. He noted that the focus group meetings have contributed to a helpful, healthy, and outward-reaching program that will serve the Board well and that Executive Secretary Frederick will provide a synopsis of the six meetings.

Subcommittee Chairman Loeffler also reported the Board has outstanding outside counsel in Mr. R. William (Bill) Funk of Korn/Ferry International who has worked previously with the University in recruitment of presidents for The University of Texas at Austin, The University of Texas at San Antonio, and The University of Texas at Tyler. In reference to a time frame for the search, Subcommittee Chairman Loeffler said that the Board, as a Committee of the Whole, will meet in early 2000 to narrow the list of candidates for the position of Chancellor, with an ultimate decision expected not earlier than March 2000.

Board Chairman Evans expressed appreciation to Subcommittee Chairman Loeffler for his report and for his leadership and thanked the other Subcommittee members for their work, noting that he is pleased with the pace of the search and delighted with the outreach to people across the State of Texas.

SCHEDULED MEETING.--Chairman Evans announced that the next scheduled meeting of the U. T. Board of Regents would be held on February 9-10, 2000, at The University of Texas Health Science Center in Houston.

ADJOURNMENT.--Regent Miller thanked Chancellor Cunningham for his work on Proposition 17 which amended the Texas Constitution on November 2, 1999, to provide new resources for higher education and noted this as important legislation for the long-term future of the University. Chairman Evans endorsed the remark and thanked all those involved, including the Texas A&M University System, in this most important constitutional change.

There being no further business, the meeting was adjourned at 12:55 p.m.

/s/ Francie A. Frederick
Executive Secretary

January 28, 2000