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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 5/15/2008

Board Meeting: 5/15/2008
Tyler, Texas

Robert B. Rowling, Chairman
John W. Barnhill, Jr.
Paul Foster
Janiece Longoria

	Committee Meeting	Board Meeting	Page
8. **U. T. System: Approval to negotiate a contract for the Delivery Phase of the Common Chart of Accounts Initiative**	*9:45 a.m.* **Action** *Dr. Kelley*	**Action**	**71**
9. **U. T. System: Approval to acquire Oracle Corporation site license**	*9:50 a.m.* **Action** *Dr. Kelley*	**Action**	**72**
Adjourn	*10:00 a.m.*		

1. **U. T. System: Discussion and appropriate action related to approval of *Docket No. 134***

RECOMMENDATION

It is recommended that *Docket No. 134*, beginning on Page Docket – 1, be approved.

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

Supplemental Materials: Green pages following the Docket tab at the back of Volume 2.

2. **U. T. System: Key Financial Indicators Report and Monthly Financial Report**

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 17 – 24 that follow, and the March Monthly Financial Report. The reports represent the consolidated and individual operating results of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the System-wide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2004 through February 2008. Ratios requiring balance sheet data are provided for Fiscal Year 2003 through Fiscal Year 2007.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of March 2008.

Supplemental Materials: March Monthly Financial Report on Pages 71 – 95 of Volume 2.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

2ND QUARTER FY 2008

KEY

Actual 2003 through 2007 amounts
(SOURCE: Annual Financial Reports Fiscal Years 2003, 2004, 2005, 2006 and 2007)

2008 Budget amounts
(SOURCE: Operating Budget Summary 2008)

Projected 2008 amounts
(trend based on the average change of the previous four years of data)

Monthly Financial Report Year to Date amounts for February 2007 and February 2008

Annual State Net Revenue Collections for 2003, 2004, 2005, 2006 and 2007
(SOURCE: Texas Revenue History by Source 1978-2006 and Texas Net Revenue by Source - Fiscal 2007, State Comptroller's Office)

Year to Date State Net Revenue Collections for February 2007 and February 2008
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections for 2008
(SOURCE: Biennial Revenue Estimate, 2008 - 2009, State Comptroller's Office)

2003, 2004, 2005, 2006 and 2007 Annual Average of FTEs, 2nd Quarter 2008 FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date margin for March 2008
(SOURCE: Monthly Financial Report for March 2008)

Projected 2008
(SOURCE: Monthly Financial Report Year- End Projections collected March 2008)

Year-to-Date margin for March 2007
(SOURCE: Monthly Financial Report for March 2008)

Target Normalized Rates

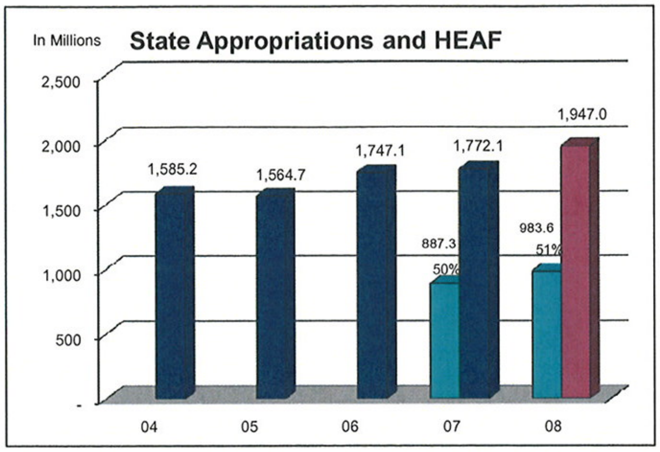
Aaa/Aa1 Median
(SOURCE: Moody's)

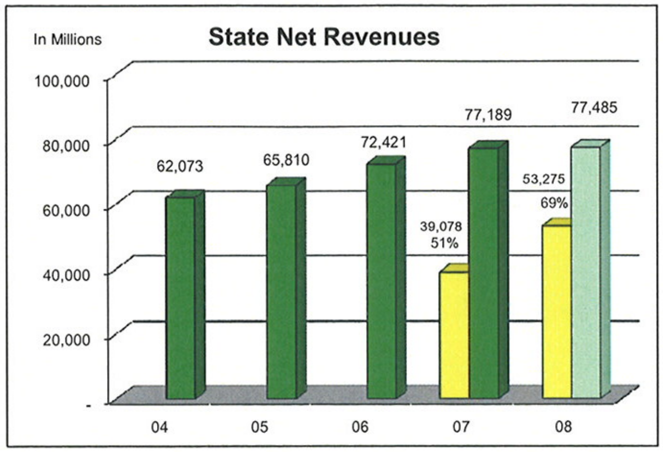
A2 Median
(SOURCE: Moody's)

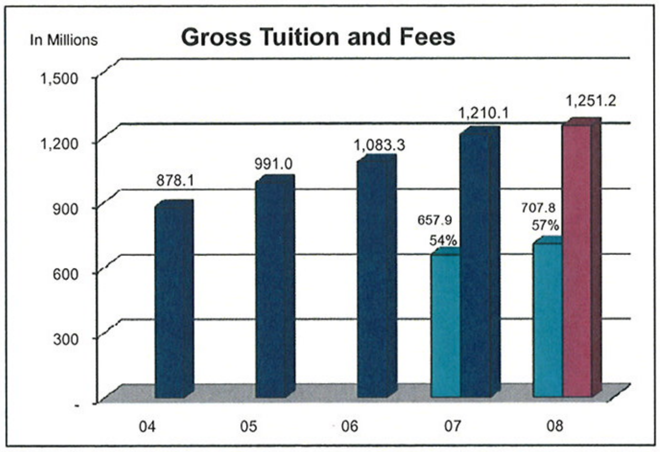
Good Facilities Condition Index (Below 5%)

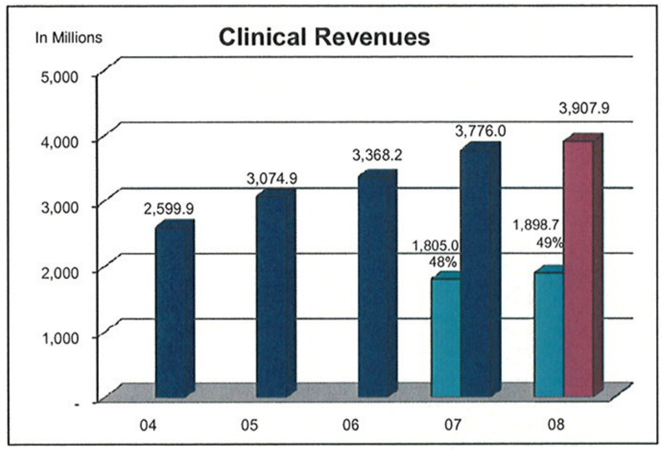
Fair Facilities Condition Index (5% - 10%)

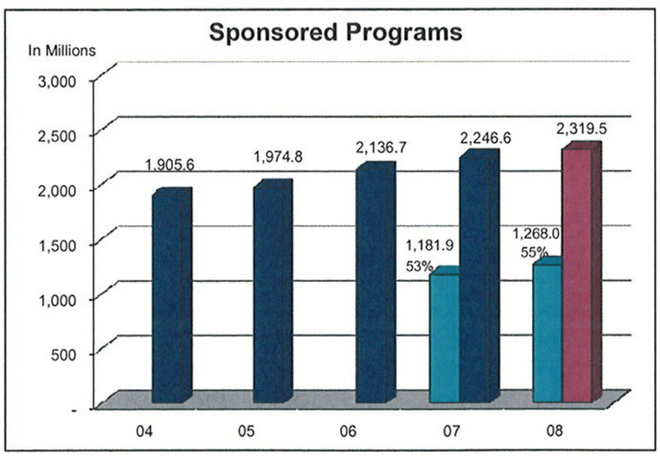
KEY INDICATORS OF REVENUES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT

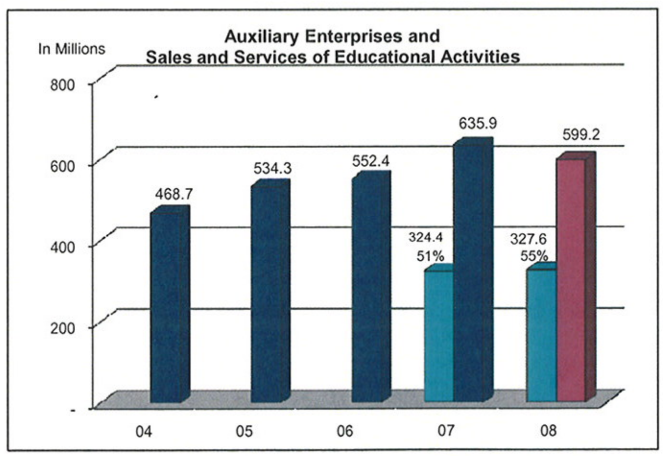


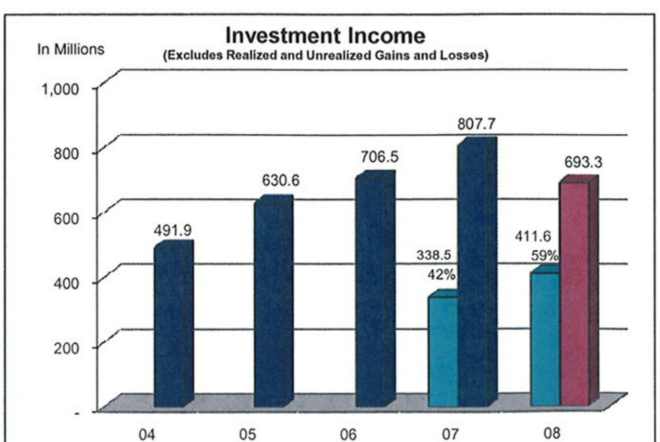


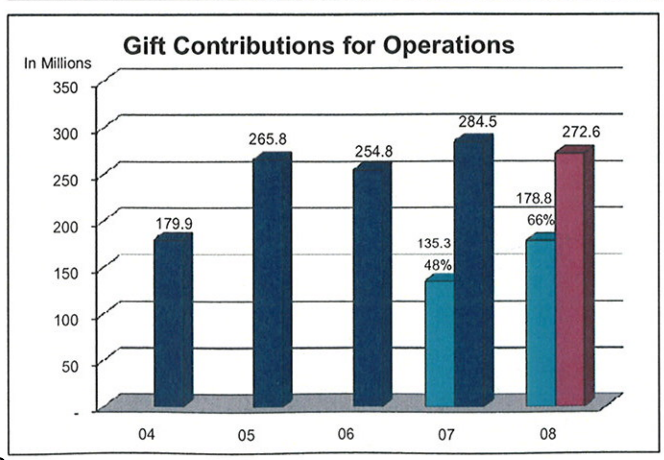




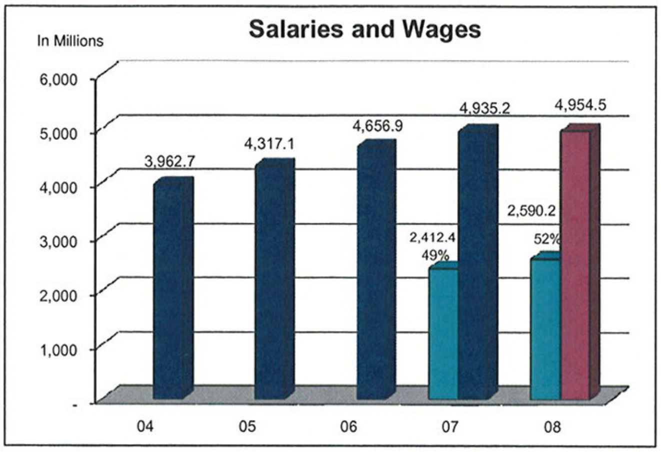


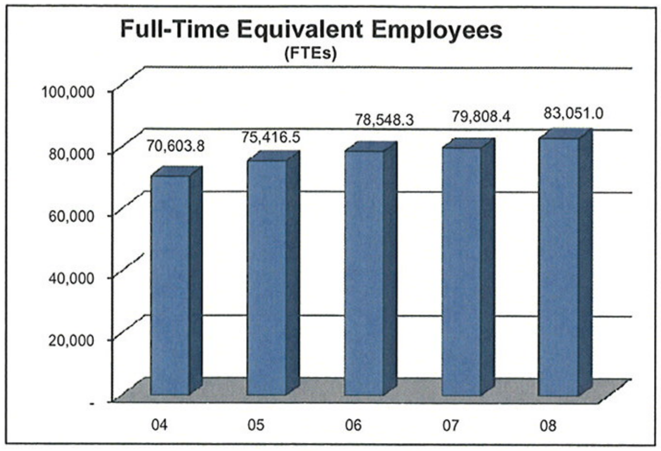


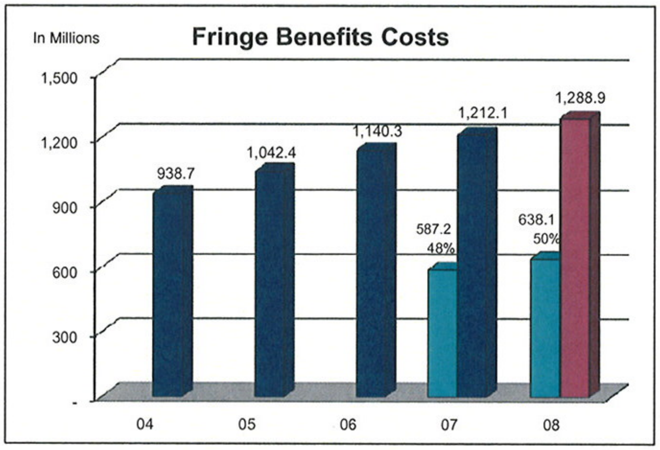


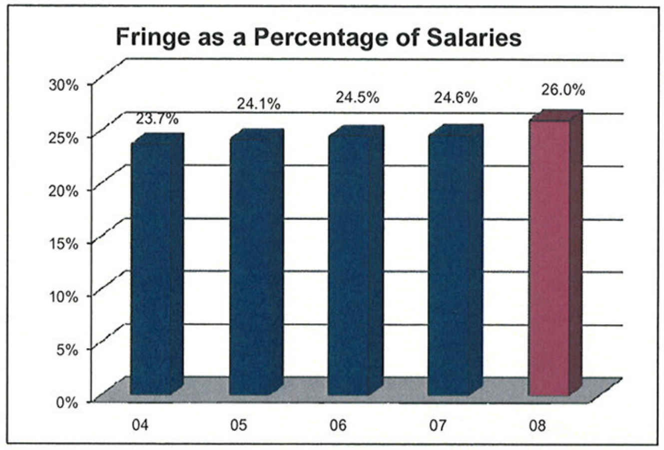


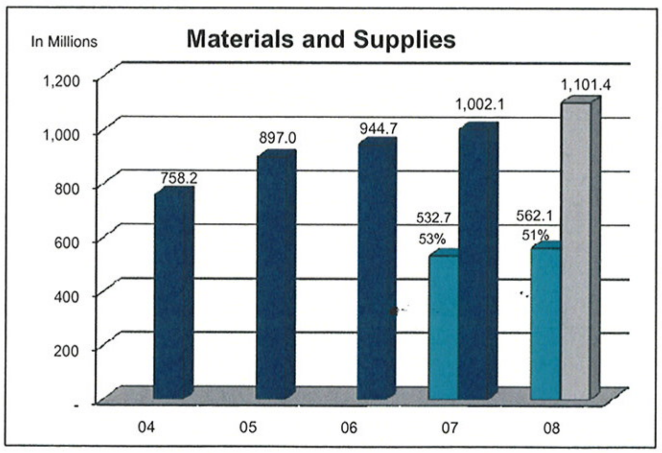
KEY INDICATORS OF EXPENSES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT

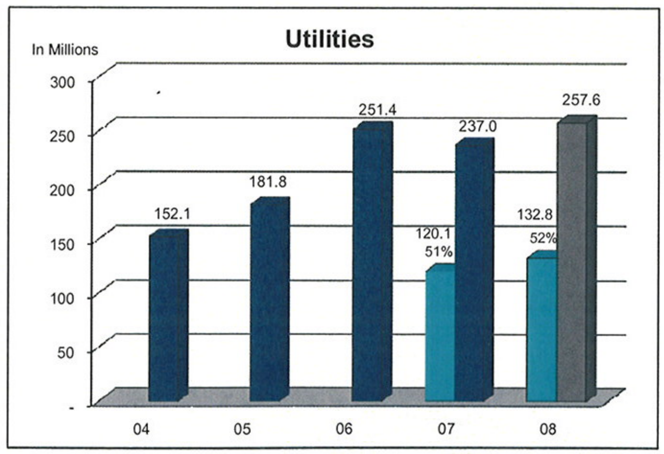


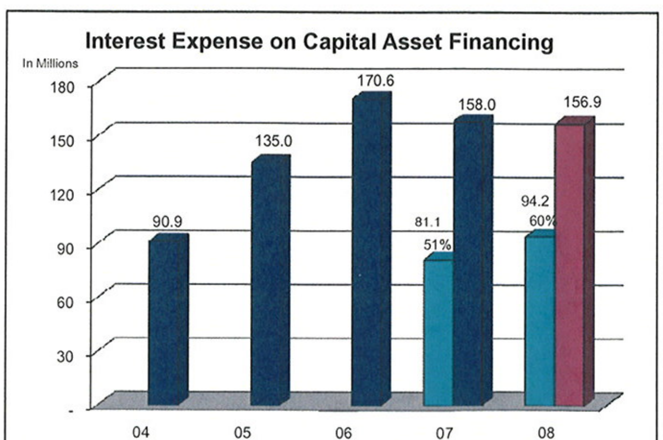


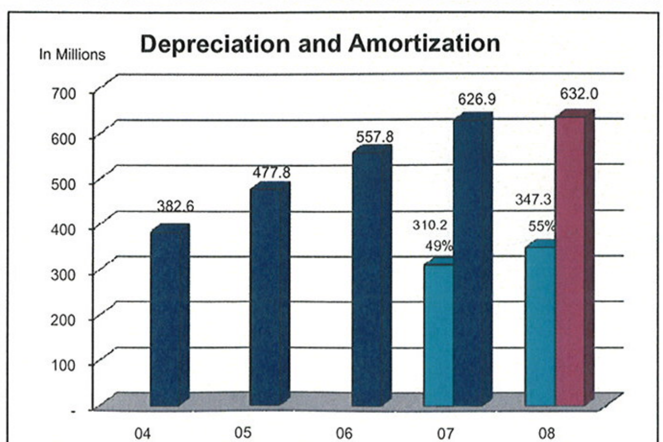




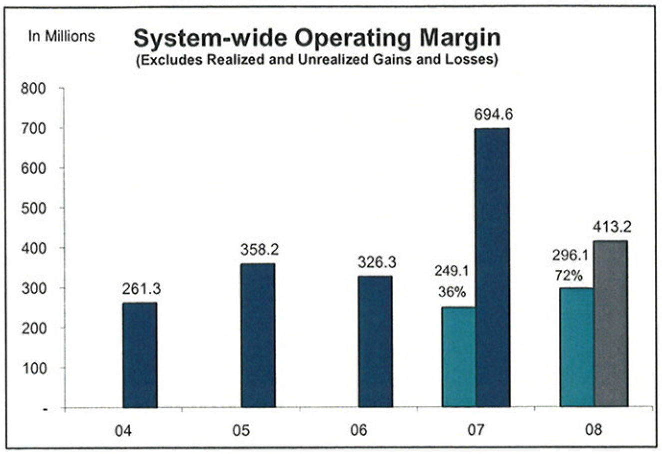


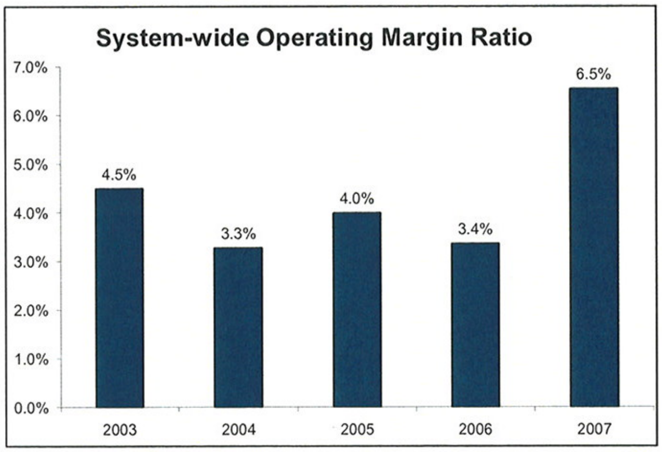


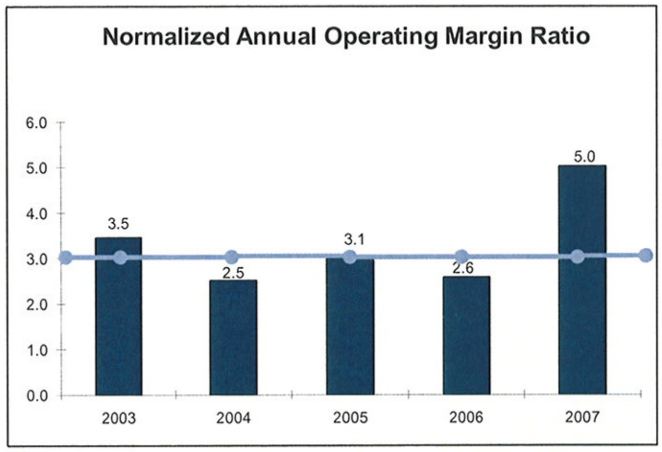


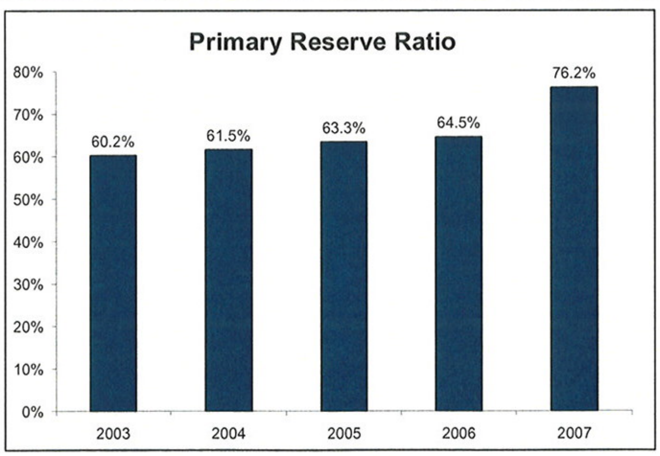


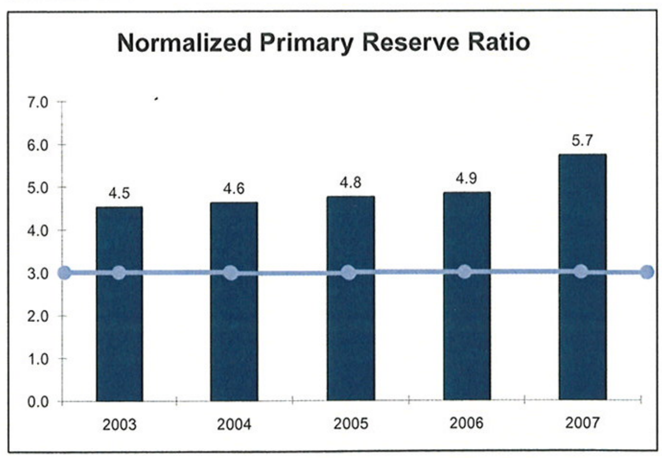
KEY INDICATORS OF RESERVES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT

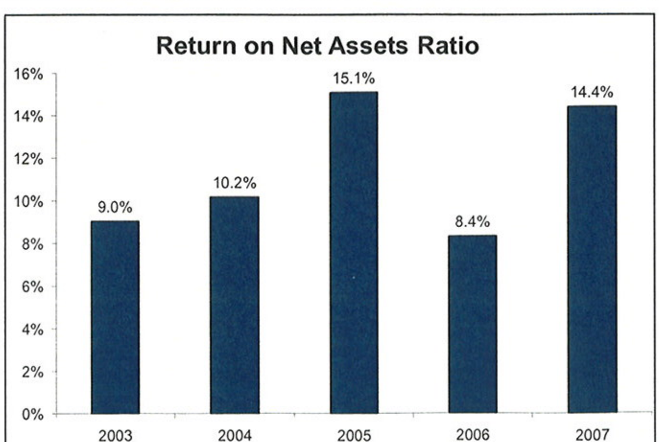


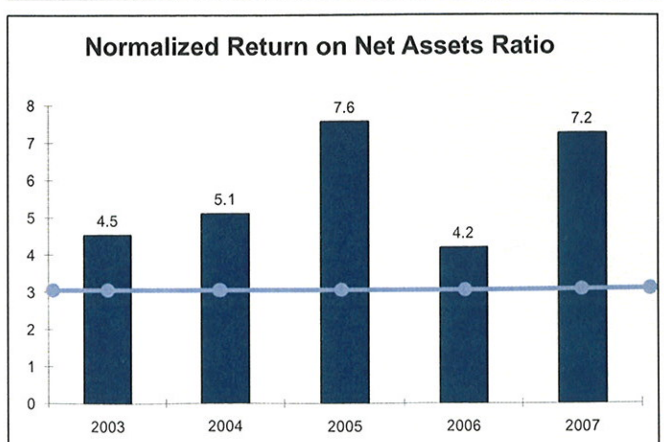




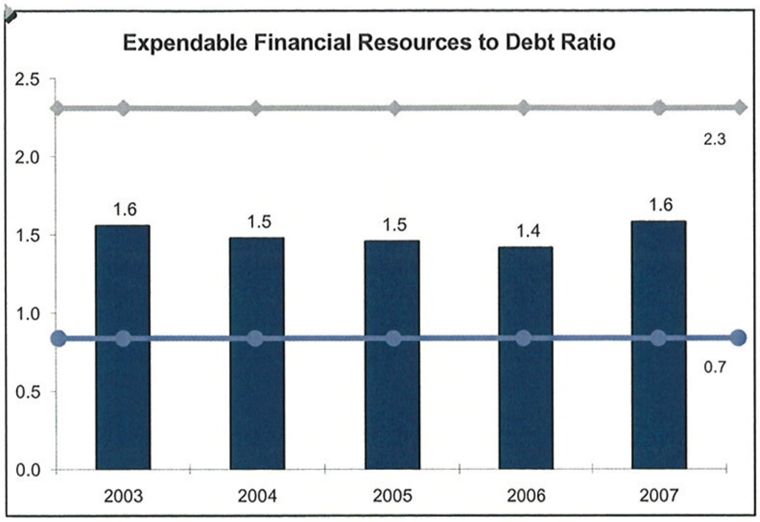


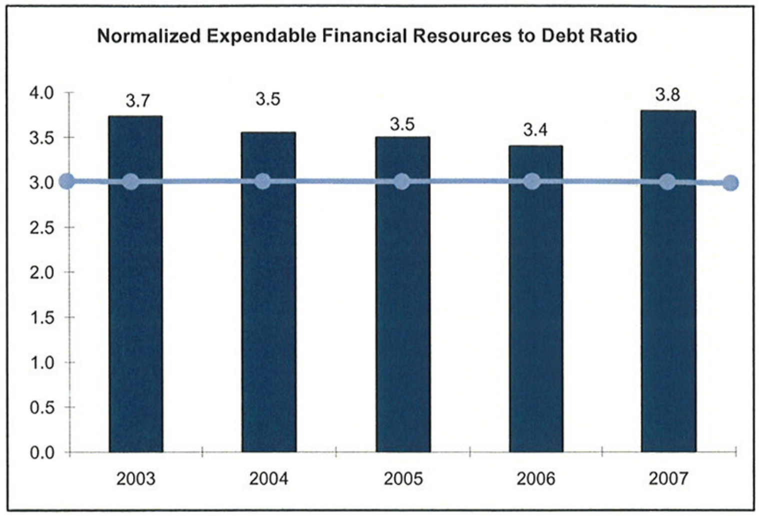


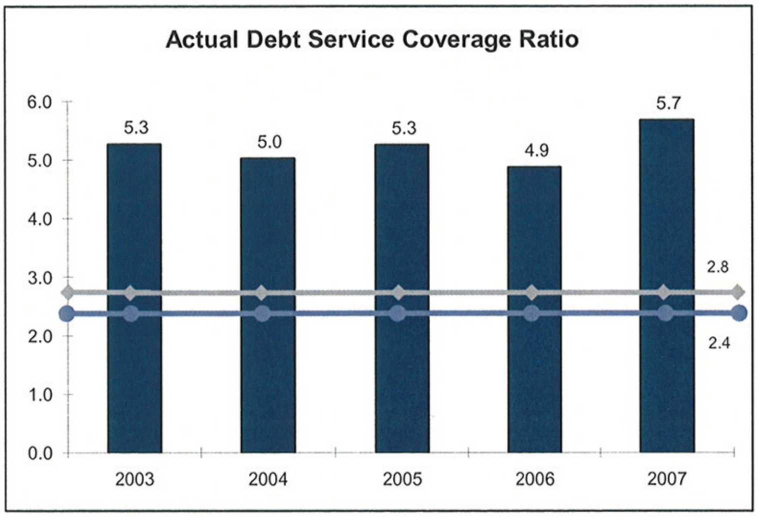


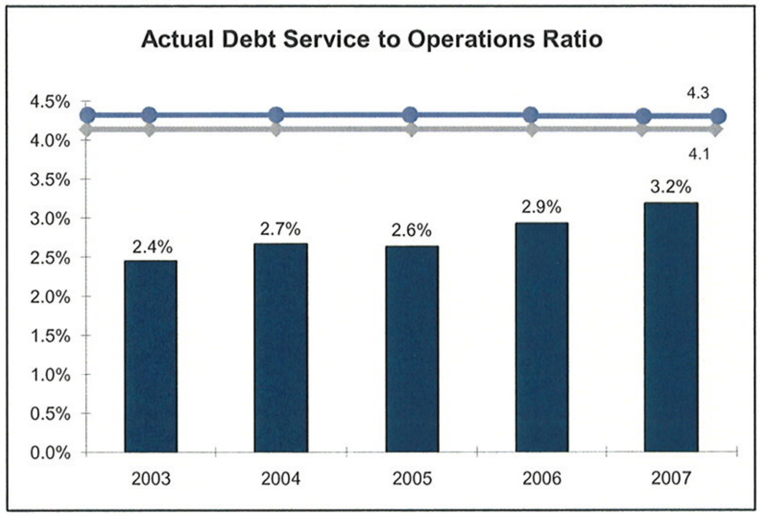


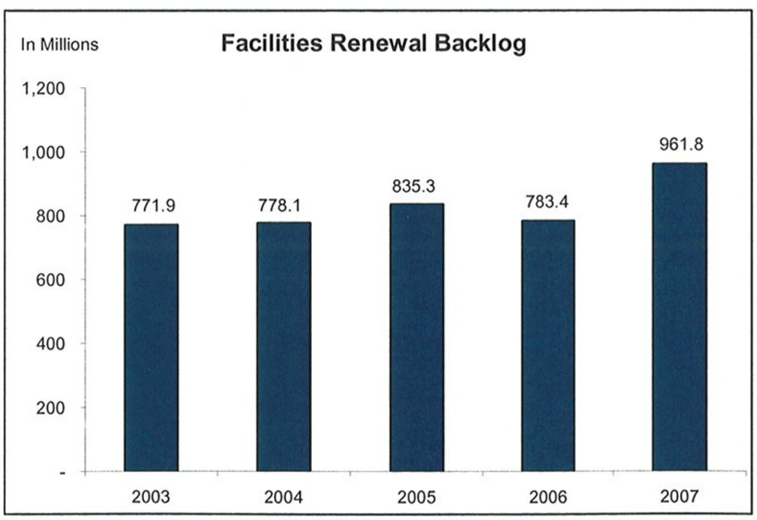
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2003 THROUGH 2007

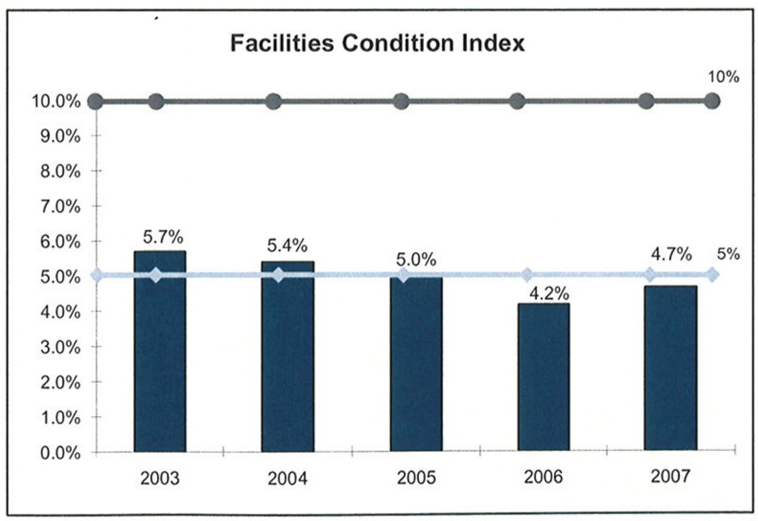




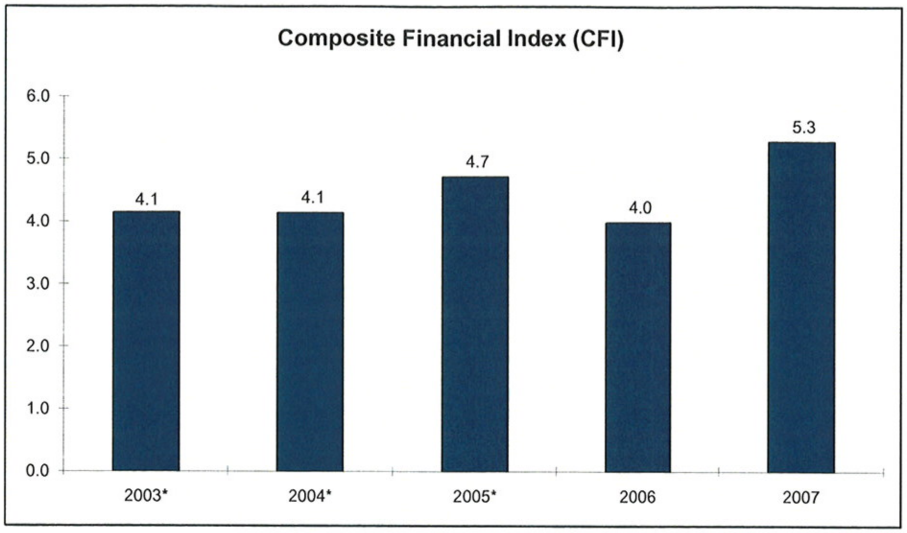




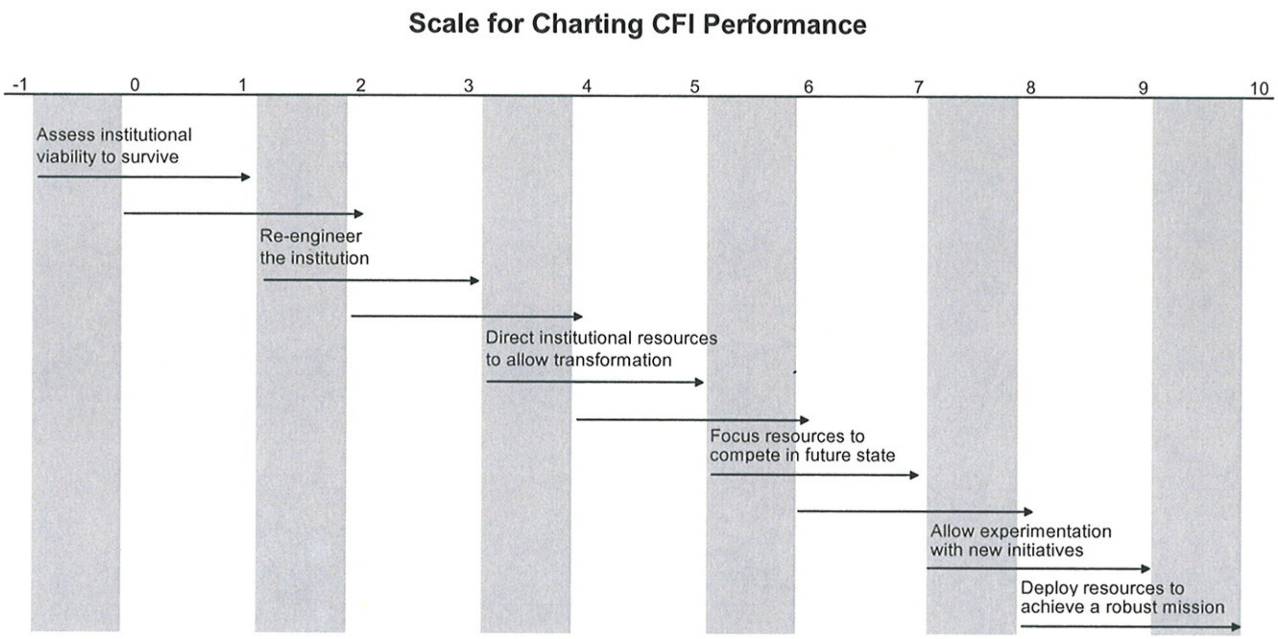




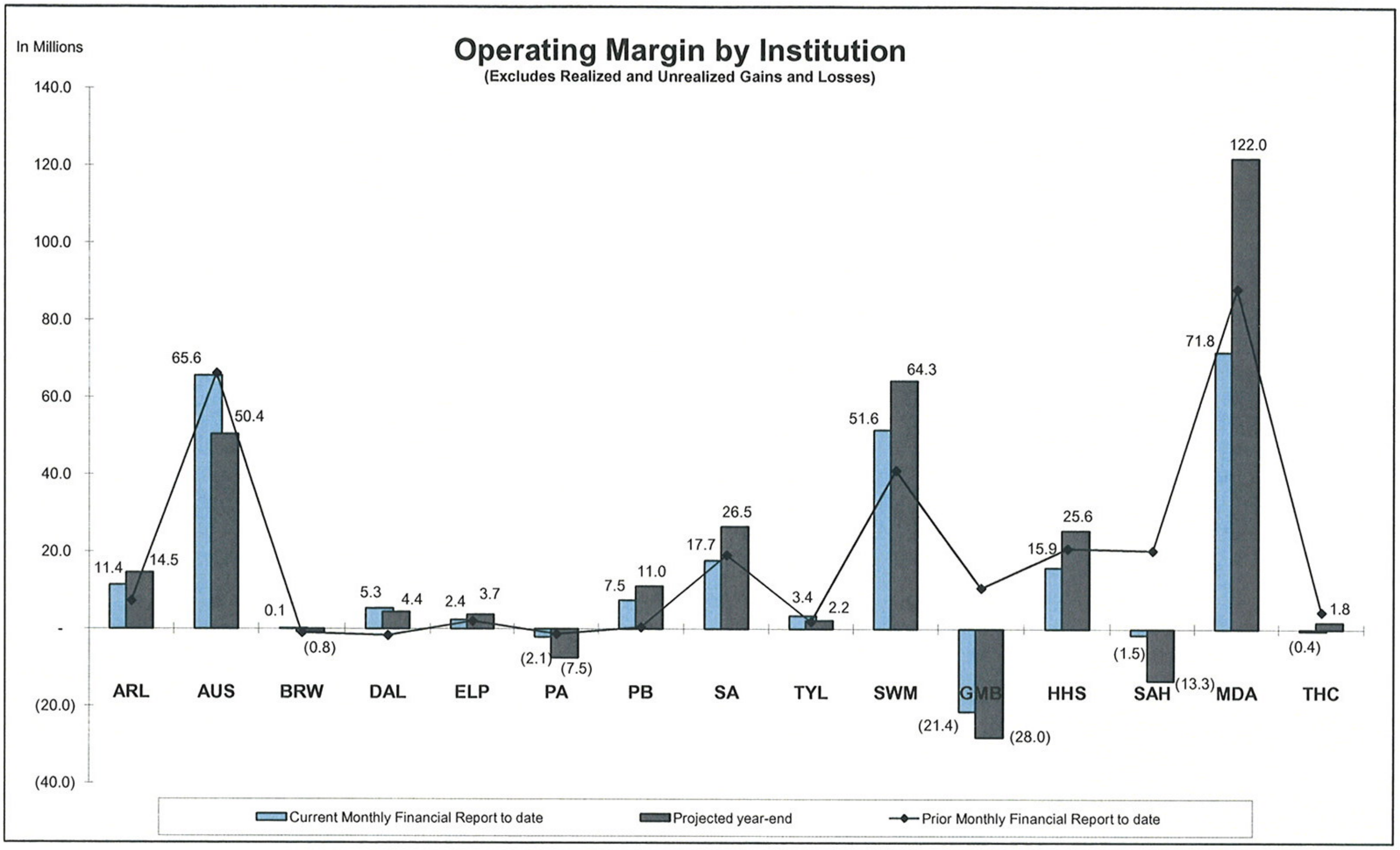
KEY INDICATORS OF FINANCIAL HEALTH
2003 THROUGH 2007

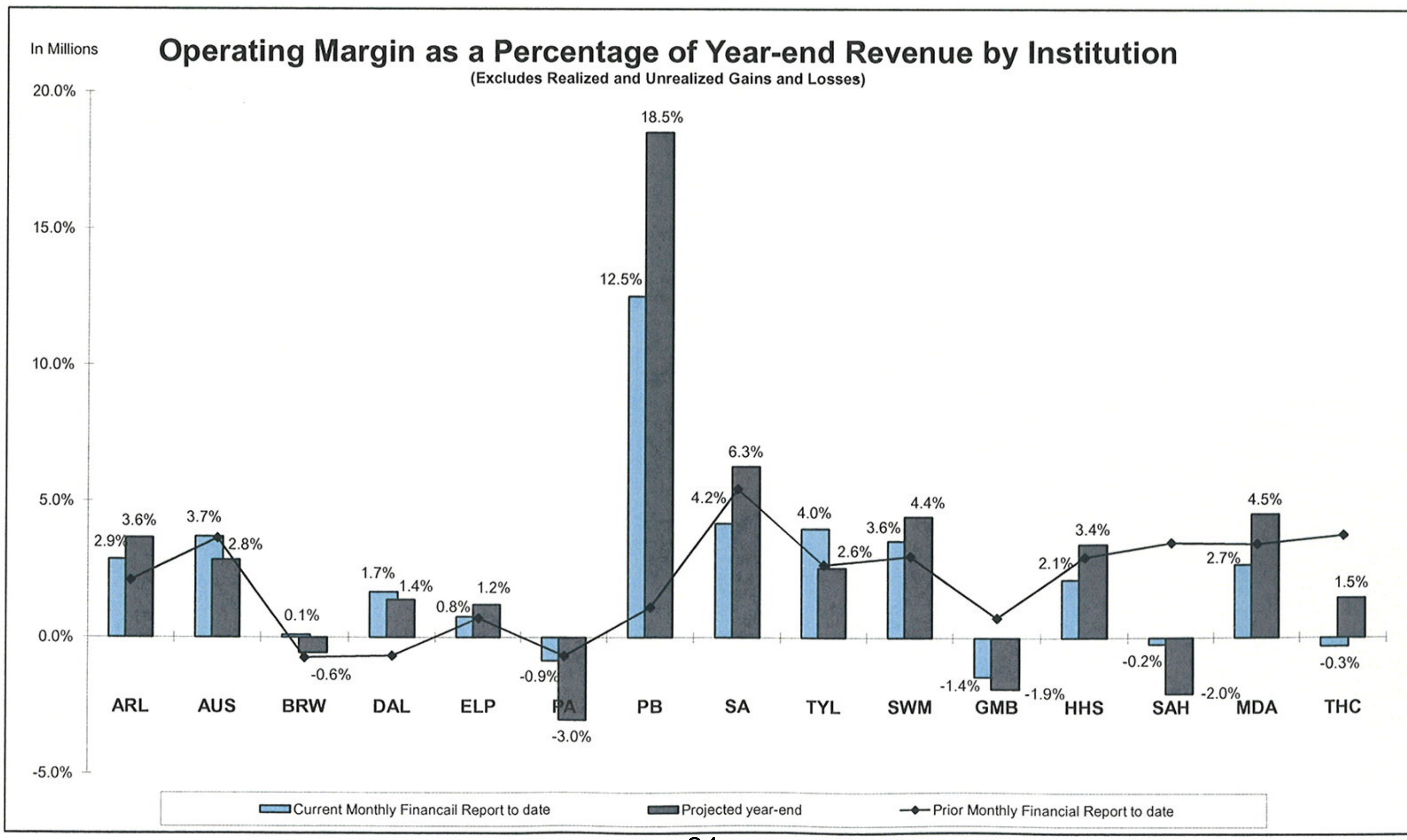


*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit



KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2007 AND 2008 FROM MARCH MONTHLY FINANCIAL REPORT
PROJECTED 2008 YEAR-END MARGIN





3. U. T. System: Overview of U. T. System debt programs

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Finance and Planning Committee on the status of the U. T. System debt programs.

Supplemental Materials: Overview of Debt Programs PowerPoint presentation on Pages 96 – 106 of Volume 2.

4. U. T. System: Results of standardization of banking services for U. T. System institutions

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will provide a third and final report on the results of standardizing banking services across the U. T. System. Dr. Kelley previously reported to the Board of Regents on November 16, 2006, and the Board subsequently approved the selection of four banks on December 6, 2007, to provide depository and other banking services.

REPORT

Under the direction of the Executive Vice Chancellor for Business Affairs, the Office of Finance has led a coordinated effort to leverage the negotiating power of the U. T. System to standardize and improve banking and treasury services that were previously procured on an institution-by-institution basis. That effort has resulted in the accomplishment of the following objectives:

a. Creation of new U. T. System-wide treasury policies to upgrade and standardize treasury practices relating to collections and deposits, collateral standards, cash handling, cash flow forecasting, petty cash, and transport of assets;

b. Negotiation of new consolidated Master Banking Services Agreements and Master Depository Agreements with four banks that are expected to save the U. T. System and its institutions approximately $2 million over the next five years, while increasing minimum service level standards;

c. Negotiation of a new Merchant Card Processing Agreement that is expected to save the U. T. System and its institutions $500,000 over the next three years;

d. Assurance that each U. T. System institution has a formal treasury operations disaster recovery plan and assurance that treasury operations will be regularly audited and reviewed for compliance purposes; and

e. The introduction of sweep accounts that could eventually eliminate the need for banks to post collateral to secure overnight deposits.

5. U. T. System: Discussion concerning new Capital Expenditure Policy and authorization to make conforming changes to the Regents' *Rules and Regulations*, Rules 80301, 80303, 80402, and 80404

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the U. T. System Board of Regents review the proposed new U. T. System Capital Expenditure Policy as set out on Pages 28 – 46 and authorize conforming changes to the Regents' *Rules and Regulations*, Rules 80301, 80303, 80402, and 80404 as set out on Pages 47 – 60 to effect the Policy changes. The Capital Expenditure Policy and Regents' *Rules* changes are to be effective July 1, 2008.

BACKGROUND INFORMATION

The Capital Expenditure Policy proposes to consolidate various capital review and approval processes and procedures into one U. T. System-wide policy. In addition, the new policy would streamline the capital process, make it more understandable, and would implement certain recommendations from the Board of Regents.

The major effects of the policy are as follows:

a. Consolidate various capital-related processes and procedures into one policy.

b. Eliminate the biennial Capital Improvement Program (CIP) adoption process. In reality, the CIP is a dynamic program that is updated at least quarterly as new projects are approved, amended, or deleted. The Board of Regents would receive formal updates annually on the status of the CIP rather than biennially.

c. Create a more concise Project Planning Form that incorporates project metrics.

d. Require that Permanent University Fund (PUF) debt funding lapse if construction has not commenced on a project within 36 months of approval by the Board of Regents, unless extended for one year by the Chancellor.

e. Require that unexpended PUF Library, Equipment, Repair and Rehabilitation (LERR) debt funding lapse six months after the fiscal year in which it is approved, unless extended for one year by the Controller.

f. Expand the scope of the CIP to include Repair and Rehabilitation projects funded with PUF LERR debt, regardless of the amount.

g. Implement a formal gift funding procedure that requires the use of Revenue Financing System (RFS) debt capacity to "backstop" gift funding that has not been received or committed (as evidenced by a signed gift instrument) at the time of final Board of Regents' approval.

h. Expand the authority of institutions to expend institutional funds on preliminary (i.e., design and development) project costs from 3% to 5% of total project costs.

UT System Administration Policy Library -- Policy #

CAPITAL EXPENDITURE POLICY

Responsible Officer: **Executive Vice Chancellor for Business Affairs**
Sponsoring Office: **Office of Business Affairs**
Effective Date: **July 1, 2008**
Last Reviewed:
Next Scheduled Review:
Errors or changes to: **policyoffice@utsystem.edu**

Exempted from Standard Policy Development Process By: **Date:**

CONTENTS

POLICY STATEMENT

The U. T. System requires that all institutions shall provide in-depth analysis of all capital expenditures and all System Administration offices shall work collaboratively to provide assistance to the institutions in their endeavor to appropriately analyze Projects.

The purpose of the Capital Expenditure Policy is two-fold: (1) provide the institutions guidance in the capital expenditure process, from Project approval to Project closure; and (2) provide System Administration a uniform method for documenting the full capital expenditure lifecycle so that capital expenditure activity can be effectively communicated to the BOR.

Compliance with this Policy requires compliance with the Project Lifecycle Process and accompanying guidelines, as set out in the Procedures section of this Policy.

RATIONALE

Projects are an integral aspect of U. T. System's overall strategic growth. As the System continues to grow, the need for a uniform, System-wide Capital Expenditure Policy compatible with state reporting requirements is apparent.

All U. T. System institutions are currently required to complete on an annual basis the Master Plan 1 (MP1), a reporting tool required by the THECB and Bond Review Board (BRB). The MP1 is a Project plan summarizing facilities-related projects for the succeeding six years, including land acquisitions. The MP1 reporting thresholds, per *Texas Education Code,* Section 61.058, are:

- New construction projects in excess of $1,000,000
- Repair and rehabilitation projects in excess of $2,000,000

Similarly, all U. T. System institutions have been historically required to update on a biennial basis the Capital Improvement Program (CIP), a reporting tool maintained by U. T. System OFPC. The CIP is a Project plan summarizing facilities-related Projects for the succeeding six years, excluding land acquisitions and excluding Repair & Rehabilitation Projects funded with PUF Debt via the Library Equipment Repair & Rehabilitation (LERR) program. Historically, the CIP has been formally updated and adopted by the BOR every two years; however, in practice the document is updated frequently throughout the year via off-cycle revisions approved at quarterly BOR meetings. The CIP reporting thresholds are $1 million for new construction and $2 million for repair and rehabilitation, unless the Project is funded in any part with debt, in which case the Project is reported in the CIP regardless of thresholds; however, the CIP has not historically included Projects funded via the LERR program, even though by definition LERR Projects are funded with debt. Although the rules for inclusion vary slightly from the MP1 to the CIP, the required Project types and financing information is largely identical.

Because the requirements of the MP1 and the CIP are similar, and because the biennial nature of CIP updates has evolved into a continual process, this Policy modifies the CIP in such a way that its scope and processes are more reflective of actual practices at U. T. System and better aligned with state reporting requirements. This Policy also modifies the CIP in such a way that it provides a *comprehensive* view of all debt-funded capital expenditure activity at System. Primary modifications to the CIP set out by this Policy include broadening of CIP scope to include Repair & Rehabilitation Projects funded with PUF Debt via the LERR program, regardless of amount; implementation of formal Gift funding procedures; replacement of the biennial CIP adoption with an annual CIP status report; and elimination of the Capital Budget portion of the CIP.

A uniform Capital Expenditure Policy will allow System Administration to better serve the institutions by reducing duplicative reporting requirements at State and System levels, standardizing the approval process for all Project types under all financing programs, and providing the institutions a higher level of ownership and control in the Project approval process. Additionally, a uniform Capital Expenditure Policy will allow System Administration to better serve the Board of Regents by generating streamlined documentation that *holistically* presents capital expenditure activity in context of U. T. System's overall strategic direction.

SCOPE

All institutions and U. T. System Administration.

WEBSITE ADDRESS FOR THIS POLICY

http://www.utsystem.edu/policy/ov/***policy#***.html

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
Capital Expenditure Policy UTS ### *Regents' Rules* 80301, 80303, 80402, and 80404	Texas Public Funds Collateral Act, Texas Government Code Chapter 2257, Texas Occupations Code Chapter 162.001

CONTACTS

If you have any questions about U. T. System Administration Policy UTS### Capital Expenditure Policy, contact the following office(s):

Office	**Telephone**	**Email/URL**
Office of Finance	512-499-4374	http://www.utsystem.edu/fin/contact.html

DEFINITIONS

Accuracy Factor: Degree to which a cost estimate is expected to err from the final cost schedule. The Accuracy Factor is expected to be 1.60 or better for Conceptual Estimates and 1.10 or better for Control Estimates. For example, a Conceptual Estimate of $100 is not expected to err beyond a minimum of $62.50 and a maximum $160, and a Control Estimate of $100 is not expected to err beyond a minimum of $91 and a maximum of $110.

Agenda Database: Web-based tool by which the Board Office organizes all agenda items that go before the BOR for approval.

Auxiliary Enterprises Balances: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of balances that have accumulated from the collection of revenues or fees for such enterprises as student housing, student unions, parking facilities, and recreational facilities.

Available University Fund (AUF): Defined by the Texas Constitution to consist of distributions from the "total return" on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund lands. Two-thirds of the AUF is constitutionally appropriated to U. T. System. The remaining one-third is constitutionally appropriated to The Texas A&M University System. Also a type of Institutional Funds under the broader umbrella of Funding Sources.

Bond Review Board (BRB): The BRB's mission is to "ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes and to support and enhance the debt issuance and debt management functions of state and local entities." All debt issued by the State or its agencies for New Construction Projects greater than $250,000 must be approved by the BRB. The BRB also reviews the annual MP1 in conjunction with its annual Project Report.

Board of Regents (BOR): The University of Texas System Board of Regents. The BOR meets quarterly in the second week of February, May, August, and November. BOR approval is required for any Project, as defined by this Policy.

Capital Improvement Program (CIP): System-generated report that details the U. T. System's long-range plan to preserve and enhance facility assets. The CIP is a six-year projection of major Repair and Rehabilitation and New Construction Projects to be implemented and funded from institutional and System-wide revenue sources.

Cash Requisition Form: OFPC document used to request reimbursements for debt funded Projects.

Conceptual Estimate: Preliminary cost estimate used to establish budget for proposed Project. The Conceptual Estimate (in conjunction with the Control Estimate) generally will serve as a basis for the Total Project Cost (TPC).

Confidence Factor: Degree to which Project Management believes Accuracy Factor will be free from revision. A Confidence Factor of at least 80% is considered satisfactory.

Control Estimate: Cost estimate established during design development and used to manage Projects. It is often developed jointly by OFPC Project Management and external parties such as design professionals and construction firms. The Control Estimate (in conjunction with the Conceptual Estimate) generally will serve as a basis for the Total Project Cost (TPC).

Conceptual Schedule: Preliminary schedule dates used to establish proposed milestones for the Project.

Control Schedule: Construction schedule established during design development and used to manage Projects. It is often developed jointly by OFPC Project Management and external parties such as design professionals and construction firms.

DD Approval: Design/Development approval, as typically granted by the U. T. System Board of Regents. For New Construction Projects (or Repair & Rehabilitation Projects that are architecturally or historically significant), DD Approval is granted by the BOR. For Repair & Rehabilitation Projects that are *not* architecturally or historically significant, DD Approval is granted by the Chancellor, unless the Project is Institutionally Managed, in which case DD Approval is granted by the institution President. In all cases, DD Approval occurs subsequently to the BOR meeting at which the Project was added to the CIP. For New Construction Projects, DD Approval and the appropriation and authorization of funds typically occur simultaneously at a BOR meeting; however, for Repair & Rehabilitation Projects, DD Approval occurs outside the purview of a BOR meeting, and after the appropriation and authorization of funds.

Debt Capacity Ratios: Three key financial ratios calculated by the Office of Finance: Debt Service Coverage (DSC), Debt Service-to-Operations, and Expendable Resource-to-Debt. All three ratios are generally calculated based on the institution's updated six-year forecast, with the exception of DSC, which can be calculated based on the Project-specific pro forma if the Project is revenue-generating (e.g., student housing, parking). In order to receive debt capacity approval, the institution must generally meet two out of three minimum standards, as established by the Office of Finance, or the Project itself must meet a minimum DSC standard. The minimum DSC standard is typically less stringent for revenue-generating Projects than for non-revenue-generating Projects. In order to reflect industry changes and maintain peer group comparability, the Office of Finance reviews and adjusts (if necessary) its minimum standards on an annual basis.

Debt Service Coverage (DSC): Debt Capacity Ratio that measures actual margin of protection for annual debt service payments from annual operations. DSC is calculated by taking the sum of annual operating surplus (or deficit), plus depreciation expense, plus interest expense, divided by total of principal and interest payments. It is reflected as a times (x) coverage.

Debt Service-to-Operations: Debt Capacity Ratio that measures peak debt service burden on the annual operating budget. It is calculated by taking peak annual debt service divided by total operating expenses. It is reflected as a percentage.

Delivery Dates: Major dates in a Project's lifecycle, including: (1) CIP Approval, (2) Start of Programming, (3) Appropriation/Authorization/DD Approval, (4) THECB Approval, (5) Notice to Proceed, (6) Substantial Completion, (7) Operational Occupancy, and (8) Project Close-Out. Items (1) through (5) are included in the Project Approval Phase; items (6) through (8) are included in the Project Completion Phase.

Designated Funds: See Designated Tuition.

Designated Tuition: Also known as Designated Funds. Under the broader umbrella of Funding Sources, a type of Institutional Funds formerly known as the General Use Fee. Institutions may collect a fee per semester credit hour equal to the mandated tuition rate for the general use of the institution.

Discretionary Funding: Any Funding Source available to support a Project that is under the control of the institution and not subject to spending policies imposed by the institution itself, the Board of Regents, or any other authoritative body. Priority for the use of Discretionary Funding should be given to maintenance of existing facilities, prevention of deterioration, and addressing life-safety issues.

Enabling Legislation: Any type of legislative authority at the Federal, State, or institutional level required to impose a fee or enact any other method(s) of producing revenues necessary to support the Project.

Energy Conservation Financing: See Performance Contracts.

Expendable Resources-to-Debt: Debt Capacity Ratio that measures coverage of direct debt by financial resources that are ultimately expendable. It is calculated by taking expendable financial resources divided by debt outstanding. It is reflected as a percentage.

Form 2: Also known as an Accounting Source Document (ASD). Form 2s are the authorizing documents used to record Project funding, appropriations, changes to appropriations, movement of funds and expenditures, encumbrances, and in certain cases expenditures and other miscellaneous debits and credits. Upon a Project's addition to the CIP, a Form 2 will be generated to record Temporary Funding, to set up the OFPC management fee, and to move funds to different sub-accounts to cover initial expenditures. When the Project receives THECB approval, new sub-accounts will be set up to record Project funding. Temporary Funding will be removed, and full funding for the Project will be set up. *NOTE: With the implementation of OFPC's new project management system, OPUS, this may not be referred to as a "Form 2" any longer, or even needed.*

Form 4/5: Also referred to as Construction Project Completion Report. Form 4/5s are initiated by OFPC upon Final Completion when no more expenses will be recorded against the Project. The institution's assumption of liability from the contractor occurs at Substantial Completion. *NOTE: With the implementation of OFPC's new project management system, OPUS, this may not be referred to as a "Form 4/5" any longer, or even needed.*

Funding Source: Type of funds identified in the PPF to support the financing of a Project. Includes PUF Debt proceeds, RFS Debt proceeds, TRB Debt proceeds, and Institutional Funds. Although Funding Sources are selected at the time the Project is approved and added to the CIP, Funding Source *amounts* can be changed with BOR or Chancellor approval (as applicable) at a later date. This does not necessarily constitute the need for THECB reapproval unless TPC has changed by more than 10% or there has been a Funding Source Change. The Office of Finance has established a priority of Funding Source expenditure in order to allow institutions to earn as much income on debt proceeds as possible prior to expending the proceeds. The preferred expenditure order is: (1) TRB debt proceeds, (2) PUF Debt proceeds, (3) Income on PUF Debt proceeds, (4) RFS Debt proceeds, (5) Institutional Funds.

Funding Source Change: The addition or deletion of any Funding Source(s). A change in TPC is not necessary to constitute a Funding Source Change. Typically will require reapproval by THECB if a new Funding Source is added, or an approved Funding Source is removed.

Funding Source Table: The summary of Funding Sources and funding amounts established in the PPF.

Futures List: A section of the CIP comprised of Projects for which institutions have identified a need and an estimated Total Project Cost, but which do not have a specific Funding Sources identified to be used in financing the Project. There is no PPF required for inclusion on the Futures List.

General Revenue: Under the broader umbrella of Funding Sources, a type of Institutional Funds available for Projects if two-thirds of the Texas Legislature votes in favor of it and records the vote. These funds are generated by the general taxing authority of the state.

Gifts: Under the broader umbrella of Funding Sources, a type of Institutional Funds that may be restricted as to use or unrestricted, depending on the donor's specifications. Per the Project Policy, Gifts cited as a Funding Source will generally be deemed RFS Debt for purposes of Debt Capacity Ratio analysis until the gifts are in-hand.

Grants: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of Federal, State, Local, and/or Private awards used for purposes specified in the associated agreements.

Higher Education Fund (HEF): Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of funds authorized by Article VII, Section 17 of the Texas State Constitution. U. T. Pan American and U. T. Brownsville are the only HEF-eligible U. T. System institutions.

Hospital Revenues: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of revenues generated by hospitals and clinics at U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, U. T. M. D. Anderson Cancer Center, and U. T. Health Science Center – Tyler.

Institutional Funds: Refers to any type of non-debt Funding Source, including Auxiliary Enterprises Balances, AUF, Designated Funds, Energy conservation Financing, Gifts, Grants, Higher Education Fund (HEF), Hospital Revenues, Insurance Claims, Interest on Local Funds, Medical Services Research and Development Plan (MSRDP), Dental Practice Plan (DPP), Allied Health Practice Plan (AHPP), Professional Fees, Parking Fee Balances, Private Developer, Student Union Fee, Unexpended Plant Fund, and Utility Revenues.

Institutionally Managed: A Project that is managed by institutional personnel rather than OFPC. A Project is automatically designated as Institutionally Managed (and not included in the CIP, unless it is funded in any part with debt) if it is a New Construction Project under $1 million or a Repair & Rehabilitation Project under $2 million; however, OFPC will manage such Projects if requested to do so. Projects that exceed these thresholds are managed by OFPC unless designated Institutionally Managed by the BOR. Although OFPC does not manage Institutionally Managed Projects, it could still be involved in the Project because OFPC records appropriations and expenditures of debt proceeds on behalf of the BOR.

Insurance Claims: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of funds collected against claims made on insurance policies.

Interest on Local Funds: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of interest income earned on funds held in local depositories.

Investment Metrics: Benchmarks laid out by the institution that measure the success of a Project in its aim to fulfill an institutional need or achieve some aspect of the mission or strategic plan of the institution. Typically, Investment Metrics will be predefined for most New Construction Project categories, however, if a Project does not fit easily into any specific Project category (e.g., student housing, parking, classroom, etc.), then the institution may petition via the PPF to utilize an Investment Metric of its choosing and description.

Library, Equipment, Repair and Rehabilitation (LERR): Generally refers to library and equipment materials, Faculty STARS, or small Repair & Rehabilitation Projects that are approved annually through the LERR Budget or Annual Operating Budget, and funded with PUF Debt proceeds.

Major Project: Any Project that meets one or more of the following criteria: (1) new building construction with a value of more than $1 million, (2) road, paving, and Repair & Rehabilitation Projects with a value of more than $2 million, (3) any Project determined by the Board to be architecturally or historically significant, (4) any Project that is debt financed (RFS, TRB, PUF) regardless of dollar value, and/or (5) any campus planning effort that is intended to result in a capital Project meeting one or more of these criteria.

Master Plan 1 (MP1): A facilities-development plan that summarizes planned New Construction Projects, Repair & Rehabilitation Projects, and Land Acquisitions as reported by institutions for the next six years. The MP1 satisfies the Project reporting requirements for both the THECB and the BRB, and it is submitted annually by the institutions. It does not include routine maintenance projects, but it does include all of the other types of projects that are placed on the THECB agenda for consideration.

Medical Services Research and Development Plan (MSRDP): Also known as Professional Fees. Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of funds derived from physician fees for services to patients.

New Construction: A Project that will result in the addition of gross square footage that was not previously in inventory.

Office of Facilities, Planning & Construction (OFPC): U. T. System Administration office that maintains the CIP, manages Projects, and records Project accounting transactions.

Parking Fee Balances: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of fees collected for parking permits, citations, and transient parking.

Performance Contracts: Also known as Energy Conservation Financing. Under the broader umbrella of Funding Sources, a type of Institutional Funds based on a contract with a third party pursuant to Section 51.927 of the *Texas Education Code* to provide energy conservation measures that will generate a guaranteed level of energy savings. Debt may be issued under the Revenue Financing System for a maximum 10-year period if energy savings can be generated for the period.

Permanent University Fund: A constitutional fund and public endowment created in the Texas Constitution of 1876. It was established through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of another one million acres. Today, the PUF contains 2,109,190 acres located in 24 North and West Texas counties. The assets and earnings of the PUF are dedicated to the uses and purposes of the U. T. System and the Texas A&M System.

Permanent University Fund Debt (PUF Debt): Bonds and/or flexible rate notes authorized by Article VII, Section 18 of the Texas State Constitution. The debt is repaid by distributions from the Permanent University Fund to the Available University Fund. All U. T. System institutions except U. T. Pan American and U. T. Brownsville are eligible to receive PUF Debt proceeds.

Private Developer: Under the broader umbrella of Funding Sources, a type of Institutional Funds based on an agreement with a third party that constructs and finances capital improvements on land of the U. T. System. The System executes a ground lease with the Private Developer and typically, at the end of the lease term, the capital improvement reverts to the U. T. System.

Professional Fees: See Medical Services Research and Development Plan.

Project: For purposes of this Policy, any New Construction Project greater than or equal to $1 million requesting addition to the CIP, any Repair & Rehabilitation Project greater than or equal to $2 million (including roads and paving), and/or any Project funded in any part with debt proceeds, regardless of amount. Preventive and routine maintenance and equipment replacement and upgrades (including computers) are not considered Projects for purposes of this Policy.

Project Lifecycle: The sequence of events from start to finish that all U. T. System Projects are required to undergo. The Project Lifecycle is characterized by two main phases, the Approval Phase and the Completion Phase.

Project Management: The application of resources, management techniques, and systems to the execution of a Project from start to finish. The goal of Project Management is to achieve a predetermined set of objectives for scope, quality, time, and cost, to the equal satisfaction of those involved, i.e., OFPC Project Management, institutional staff, design professionals, and/or construction firms.

Project Planning Form (PPF): A uniform data collection mechanism designed to gather a complete set of data points pertinent to a specific Project. A complete, current PPF is required to be submitted by the Institution anytime a Project is going before the BOR, including cases of a Project returning to the BOR for additional approvals. The PPF is accompanied by: (1) cover letter signed by the institution President and the Academic or Health Affairs EVC, and (2) any required exhibits or attachments such as a Project pro forma. *NOTE: The PPF may also be used outside the Project Approval Phase to update important Project information such as TPC increases of less than 10%, changes in expected delivery dates, changes in projected expenditures, etc. These Project details will be updated at least quarterly by the Senior Project Manager (SPM) or by the Institution if the Project is Institutionally Managed.*

Repair & Rehabilitation (Repair & Rehab): Also known as Repair and Renovation, or R&R. A Project in which a portion of the building is renovated. The classic Repair & Rehabilitation Project involves gutting an existing building and replacing electrical, plumbing, heating, ventilation, air-conditioning systems and/or other major components. Road and paving Projects, as well as tenant finish-out Projects, are also considered R&R for purposes of this Policy.

Revenue Financing System (RFS): Debt program established in 1991 for the purpose of providing a cost-effective debt program to institutions of the U. T. System and to maximize the financing options available to the BOR. The guiding principle underlying the administration of the RFS is that allocations of RFS Debt proceeds for capital improvements shall be contingent upon a BOR determination that the institution can satisfy its proportionate share of the outstanding RFS Debt. All capital improvement Projects proposed to be funded in part or in whole with RFS Debt proceeds must receive a recommendation from the Office of Finance.

Revenue Financing System Debt (RFS Debt): Bonds and/or commercial paper issued as parity debt by the BOR under the Revenue Financing System debt program.

Student Fee: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of fees collected to support the operations and financing of a student union or other type of student activity center. Authorization of the fee by the student body is frequently one piece of Enabling Legislation for Student Fee-supported Projects.

Temporary Funding: OFPC is empowered by the BOR to authorize funding in the amount of 5% of the Preliminary Project Cost (or up to 10% with explicit EVC of Business Affairs approval) for Projects approved in the CIP. Temporary Funding is typically used to cover expenditures such as programming, advertising costs, initial design costs, and other expenditures that are incurred at the beginning of a Project. In the case of debt-funded Projects, the institution funds these costs initially and will be reimbursed from debt proceeds after THECB approval. In the case of non-debt-funded Projects, the institution may fund these costs but may not expend more than the approved Temporary Funding amount until after THECB approval.

Texas Higher Education Coordinating Board (THECB): Also known as the Coordinating Board, the THECB meets quarterly in the third week of January, April, July, and October. THECB approval is required for any New Construction Project with a value of more than $1 million and any Repair & Rehabilitation Project with a value of more than $2 million. Projects must obtain reapproval from THECB if the Project experiences a TPC or gross square footage change of more than 10%, if there is a Funding Source Change, or if the institution has not contracted for the Project within 18 months from final BOR approval date. The THECB also reviews and approves the annual MP1.

Total Project Cost (TPC): Refers to the amount approved by the Board of Regents at time of addition to the Capital Improvement Program. The TPC is subsequently approved and authorized by the Board of Regents upon completion of Design Development. The TPC provides for the design, construction, and miscellaneous costs associated with constructing a capital improvement Project, including Temporary Funding in the amount of 5% of TPC (or up to 10% with explicit EVC of Business Affairs approval). The Conceptual Estimate and Control Estimate generally will serve as the bases for the TPC.

Tuition Revenue Bond Debt (TRB Debt): Bonds and/or commercial paper authorized by the Texas Legislature. TRB Debt is issued by the BOR under the Revenue Financing System debt program. Debt service on TRB Debt has historically been reimbursed by the State, although the State is not legally obligated to do so. Every two years, U. T. System requests an appropriation for debt service on TRB Debt for projects that were approved during previous Legislative sessions. Despite the name, TRB Debt is not necessarily repaid from tuition collected at the institutions.

Unexpended Plant Funds: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of funds that have been deposited from various other Funding Sources and have been earmarked for construction or physical plant improvements.

Utility Revenues: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of interdepartmental transfers to the utility department for electricity, natural gas, chilled water, steam, water, and sewer charges.

RESPONSIBILITIES

Institutional President. The Institutional President is responsible for developing and signing off on PPFs that are in line with the institution's Campus Master Plan.

Offices of Academic Affairs and Health Affairs. Academic Affairs and Health Affairs are responsible for assisting institutions in developing PPFs.

Office of Facilities, Planning & Construction. OFPC is responsible for reviewing PPFs, preparing agenda items, updating the CIP with new Project information at least quarterly (see definition of PPF), assisting institutions in estimating Project costs and expenditure timelines, managing Projects, controlling Project accounting, and closing out Projects.

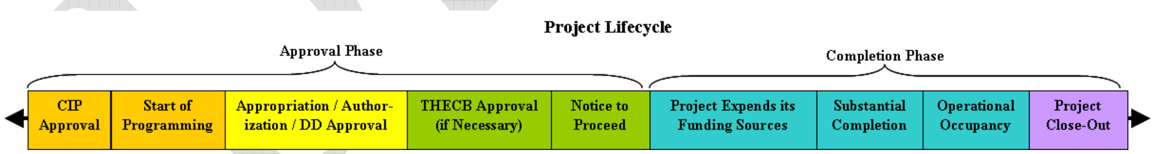
Office of Finance. The Office of Finance is responsible for reviewing PPFs if the Project includes any debt or gift funding, assisting institutions in building pro formas or updating six-year forecasts, providing finding of fact language for agenda items, and managing IRS arbitrage spendout compliance.

Office of External Relations. In the case of interim gift financing and fundraising shortfalls, this office is responsible for assisting the institution in re-presenting the Project to the BOR for reauthorization and/or approval of a Funding Source Change.

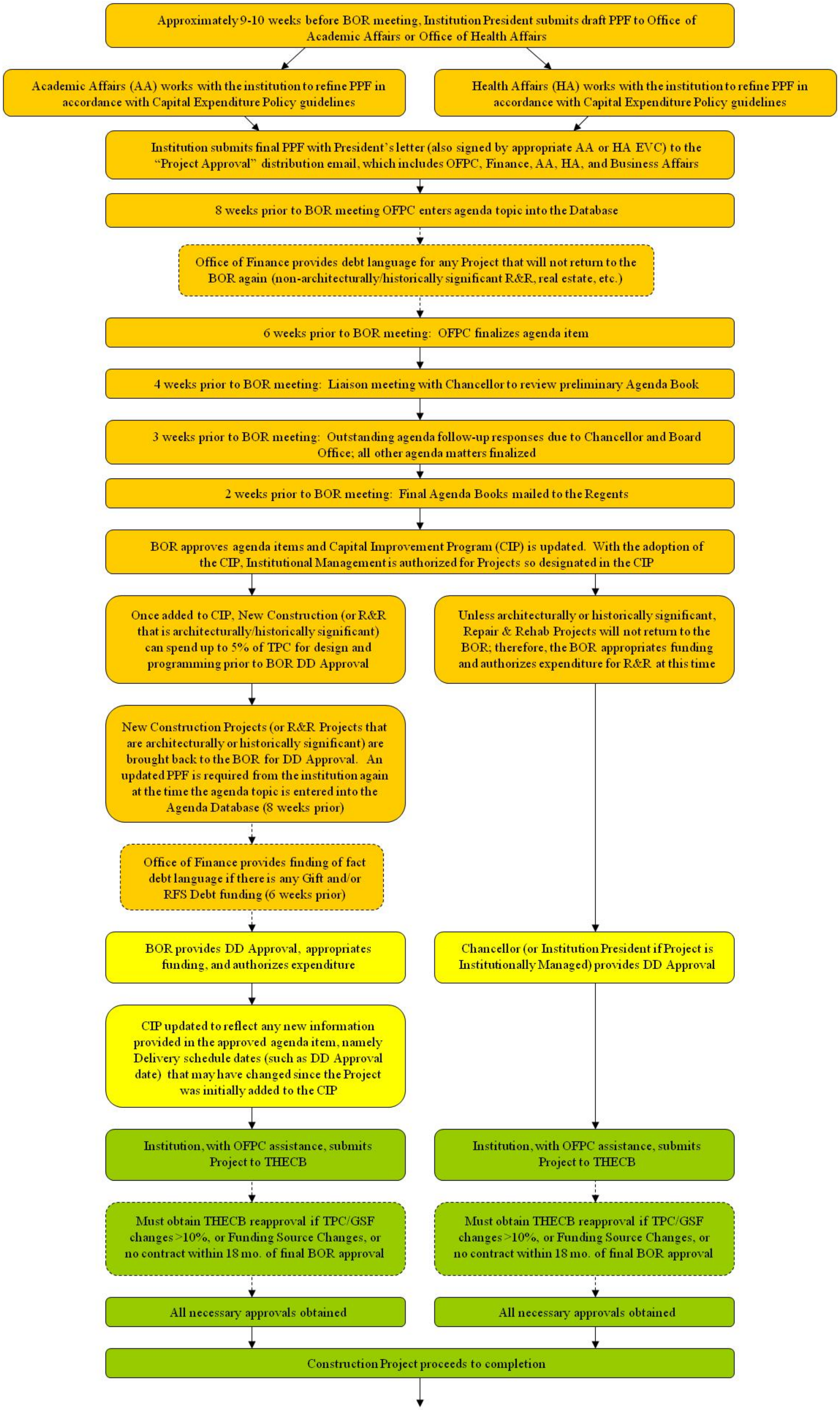
Office of the Controller. The Office of the Controller organizes and manages the request-for-LERR process.

PROCEDURES

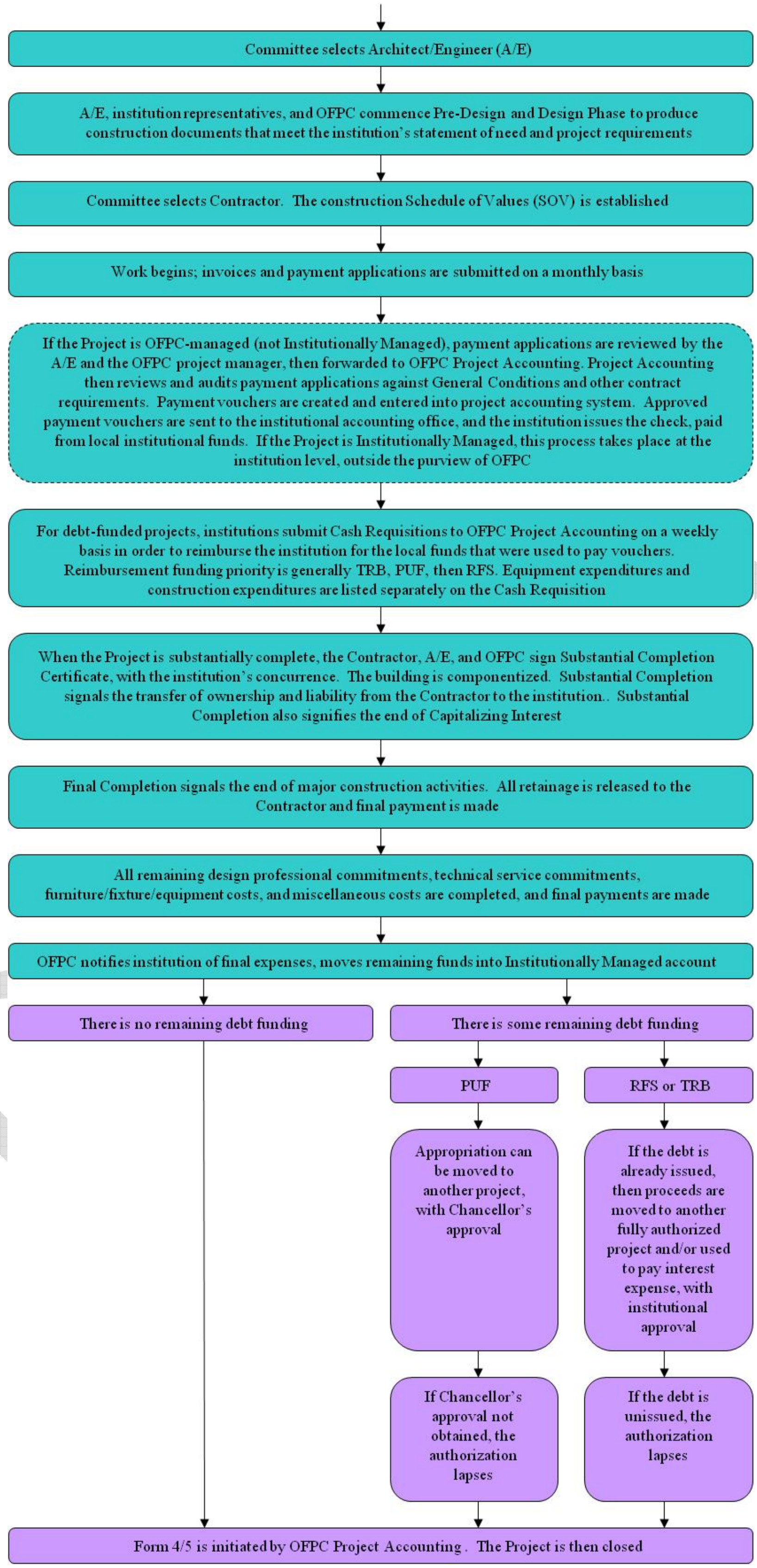
Project Lifecycle. There are two main phases in every Project's Lifecycle: Approval Phase and Completion Phase. Compliance with this Policy requires compliance with the various stages of the Project Lifecycle (click here to see complete flowchart):



Approval Phase



Completion Phase



Guidelines. The Project Planning Form (PPF) submitted by the institution initiates the Project Lifecycle, and it is the primary vehicle through which the Approval Phase is achieved. It also serves as the "Individual Project Summary" page in the CIP, and is updated (or confirmed) at least quarterly by OFPC Senior Project Managers to reflect changes to the Project as they occur. Hence, institutions are required to submit a fresh PPF for all BOR agenda items pertaining to a Major Project, including:

- Additions to the CIP
- Funding Source Changes
- Changes in Total Project Cost of more than 10%
- DD Approvals

Regardless of the specific BOR action(s) being requested, the PPF will also designate whether the project is requesting *preliminary* or *final* BOR approval, and this designation will be displayed prominently in the agenda item. Since the PPF is the primary vehicle through which the Capital Expenditure Policy is carried out, an incomplete PPF constitutes noncompliance with policy. Once the Approval Phase is complete (all necessary approvals obtained), a Project proceeds to the Completion Phase of its Lifecycle, where funds are expended and the Project is ultimately completed and closed. The Capital Improvement Program (CIP) documents the Lifecycles of all Projects, from Approval Phase through Completion Phase. The CIP is a dynamic document that is amended continually as changes to the Project occur and new stages of the Project's Lifecycle are reached.

Approval Phase. The PPF delineates all aspects of the Project, namely general information, Project description, Total Project Cost, justification, Investment Metrics, Delivery Dates, and financial planning. Once submitted, the PPF is reviewed by OFPC, Controller and/or Finance depending on Project characteristics delineated in the PPF. Because it contains the information necessary for BOR approval, a current PPF is always required in order for the Project to be presented (or re-presented) to the BOR.

Cost Estimates. The primary goals of effective cost estimating are to provide accurate data for the institutional evaluation and planning process, a sound basis for BOR consideration, and an accurate baseline tool by which Project Management can control costs throughout the project execution.

Conceptual Estimate. The preparation of a Conceptual Estimate is the first step in establishing a budget for the proposed Project. The conceptual phase estimate will form the basis by which the BOR considers a Project for inclusion into the CIP. While the cost estimate at this stage of the project development is often considered a placeholder, it is recommended that sufficient pre-Project planning be undertaken to result in a minimum threshold Accuracy Factor for a Conceptual Estimate of 1.60 with a Confidence Factor of eighty percent (80%).

Control Estimate. Once a specific Project has been added to the CIP, the design work for the project commences. During this period of time, the Project Management team undertakes a series of actions in order to thoroughly determine the Project scope and prepare the design development Control Estimate and Control Schedule. Often, the Project Management team will engage external design professionals (Architect/Engineer team) and/or an external construction firm (in the case of both Design-Build and Construction-Manager-at-Risk delivery methods) to assist in the development of the Project scope, Control Estimate, and Control Schedule. A well-defined Project scope, consistent Control Estimate, and consistent Control Schedule should result in an Accuracy Factor of 1.10 and Confidence Factor of eighty percent (80%).

Exceeding the Accuracy Factor. If special programmatic or funding circumstances require that the BOR reconsider an earlier DD Approval (i.e., the Accuracy Factor of the original Control Estimate exceeds 1.10), such special conditions must be described to the BOR in detail, and a revised Control Estimate with revised Accuracy Factor must be presented to the BOR for reapproval.

Use of PUF Funding (non-LERR). Once PUF Debt is authorized by the BOR, the Project must begin construction within 36 months of the authorization date or the PUF debt authorization for that Project will lapse, unless otherwise extended by the Chancellor.

Use of LERR Funding. Only Major Projects are required to be included in the CIP. Although LERR Repair & Rehabilitation Projects were formerly not defined as Major Projects, this Policy mandates that all construction projects funded in any part with debt, including those funded via LERR, be defined as Major Projects and included in the CIP.

LERR Eligibility. With regard to Repair & Rehabilitation, only Projects with a TPC of less than or equal to $2 million are eligible for LERR funding. (This Policy does not place a limitation on the size of LERR library and equipment projects.) Although library and equipment expenditures may be bundled when requesting LERR, R&R Projects must be presented in an unbundled format with all funding sources identified. PUF will not be allocated to R&R Projects in an amount less than the TPC unless the institution has identified, prior to LERR Budget approval, other Funding Sources sufficient to fund the difference between PUF allocation and TPC.

Inclusion of LERR in the CIP. Once PUF allocations are approved via the LERR Budget, each R&R project must submit a PPF for inclusion in the CIP. (LERR library and equipment projects will not be included in the CIP.) Addition to the CIP is automatically approved, provided that the TPC and Funding Sources have not changed from the documentation which accompanied the original LERR request. Once added to the CIP, LERR-funded R&R projects are subject to TPC change rules applicable to all Major Projects, as described in *Regents' Rule 80402, Major Construction and Repair and Rehabilitation Projects*, i.e., TPC changes may generally be approved by the Chancellor in lieu of the BOR, unless the cost change will cause a variance of more than 10% from original BOR-approved TPC, *and* that variance exceeds $500,000.

Lapsing LERR. Any Library and Equipment or Repair & Rehabilitation appropriation not expended or obligated by contract/purchase order within six months after the close of the fiscal year for which it was allocated is to lapse and be made available for future System-wide reallocation unless specific authorization to extend the obligation of funds is given by the Associate Vice Chancellor – Controller and Chief Budget Officer ("Controller") on recommendation of the institutional president and the appropriate EVC. Such specific authorization will extend the obligation of funds for no more than 12 additional months from the time the extension is granted.

Use of Gift Funding. Because of the unique nature of Gift funding, particularly the unpredictability of the timing and amount of Gift receipts, RFS Debt is often used to "backstop" Gifts, either as interim financing pending actual Gift collections or as permanent financing to cover any unanticipated fundraising shortfall. For Projects where Gifts have not been received in-hand or firmly committed to be received during construction (as evidenced by a signed Gift instrument) at the time of final BOR approval, the Office of Finance will require that RFS Debt or another acceptable source of funds be denoted in the Funding Source Table in lieu of the uncollected and uncommitted Gifts. Gifts to be collected in the future will be dedicated to the repayment of the RFS Debt, to the extent permitted by the donor.

Completion Phase. The Completion Phase of a Project's lifecycle varies greatly among Projects. The Completion Phase for most construction-related Projects is complex and takes place over the course of several months or years, entailing the expenditure of funds and the subsequent closure of the Project. In all cases, debt funding must be fully expended and/or transferred so that the finished Project can be closed.

Substantial Completion. Once a building is ready to be occupied for its intended purpose, a Substantial Completion form is signed by a member of the OFPC Project Management team, the design professional, and the contractor. Upon Substantial Completion, the insurance risk is assumed by the institution. Substantial Completion signals the completion of all major construction work, and any unencumbered funds remaining in the OFPC-managed accounts may be moved to institutionally-managed accounts, subject to the approval of OFPC Project Management.

Project Close-Out. After institutionally-managed, project-related costs are completed, the institution initiates the Project Close-Out form. After reconciliation between institutional accounts and OFPC Project accounts, the disposition of remaining funds is determined according to the type of funds remaining. If remaining RFS or TRB funding is not yet issued, then the authorization simply lapses. However, if remaining RFS or TRB funding is already issued and debt proceeds are on-hand, then those proceeds are either used by the Office of Finance to pay debt service, or they are moved to another fully-authorized Project (with necessary institutional and/or legislative approval). Remaining PUF funding simply lapses, unless the Chancellor approves moving the funds to another fully-authorized PUF Project. Remaining institutional funds are returned to the originating source of the funds. Once a Project is completed and closed, it must be moved from construction-in-process to a capital asset in the financial statements.

PROJECT PLANNING FORM (PPF)

1. Work with Academic Affairs or Health Affairs to refine Project details.
2. Complete the PPF, found at www.utsystem.edu/ofpc.
3. Do not leave any blanks on the PPF. Instead, enter "N/A", or enter an explanation why the data is not provided.
4. If the Project is going to the BOR for DD Approval, appropriation of funding, and/or authorization of expenditure, then provide (1) updated PPF including any revised Delivery Dates, and (2) up-to-date financials if it is funded with any RFS debt. A pro forma is required for revenue-generating Projects. A revised six-year forecast is required for non-revenue-generating Projects.
5. Attach a letter signed by institution President and the Academic Affairs or Health Affairs EVC.
6. Submit the letter, the PPF, and any required attachments as one complete package to the Project Review email distribution list, which includes Academic Affairs, Health Affairs, OFPC, Finance, External Affairs, and Controller staff.

PROJECTED EXPENDITURE TIMELINE

1. Required on the PPF, which can be found at found at www.utsystem.edu/ofpc.
2. Work with Project Manager to determine how much of the PPC will be spent in each fiscal year following its addition to the CIP.
3. All fiscal years must sum to the PPC.
4. Unless there are unusual circumstances, funding sources should be spent in the following priority order: TRB Debt, PUF Debt, Income on PUF Proceeds, RFS Debt, then Institutional Funds.
5. If/when a Project returns to the BOR for additional approvals, projected expenditure timeline must be updated.

PRO FORMA

1. To be used for Projects that are fully or partially self-supporting.
2. Pro Formas are individually built by the institution for the specific Project in question.
3. Contact Office of Finance to get approval of debt assumptions, i.e., amortization term and rate.
4. Forecast should match the length of the debt, i.e. 20 years, 30 years, etc.
5. Forecast all operating revenue and expenses associated with the Project.
6. Arrive at a "net income" for the Project in each forecasted year.
7. Forecast debt service on the Project using approved debt assumptions.
8. Divide "net income" by debt service in each forecasted year.
9. Target 1.3x Debt Service Coverage for revenue-generating Projects. The "two out of three" ratio test generally does not apply to revenue-generating Projects, as long as they can meet 1.3x DSC.
10. Submit with PPF when seeking BOR DD Approval.

UPDATED SIX-YEAR FORECAST

1. To be used for Projects that are not self-supporting.
2. Contact the Office of Finance to obtain the most recent six-year forecast on file.

3. Add the new Project and its incremental debt into the Future Debt tab.
4. Build in incremental revenues and expenses associated with the Project into the SRECNA.
5. Meet at least two out of three of the following standards:
    a. At least 1.8x Debt Service Coverage
    b. At least 80% Expendable Resources-to-Debt
    c. No more than 5.0% Debt Service-to-Operations
6. Submit with PPF when seeking BOR DD Approval.

CASH REQUISITIONS

1. Obtain all necessary BOR and THECB approvals.
2. Request debt issuance from Office of Finance.
3. After debt has been issued, complete the Cash Requisition Form, found at www.utsystem.edu/fpc.
4. An authorized representative must sign the Cash Requisition Form.
5. The Cash Requisition Form must include funding source for reimbursement (PUF, TRB, or RFS), timing of expenditure, and type of expenditure (equipment or construction).
6. Submit completed Cash Requisition Form to OFPC.
7. Reimbursements wires are generally sent weekly on Thursdays by the Office of Finance, with exceptions made for official holidays, etc.

CLOSING OUT A PROJECT

1. When a Project is completed with no more expenses to be recorded against the Project, OFPC will generate the Form 4/5. There may be numerous substantial completion letters for portions of a Project but this does not indicate that a Project has reached final completion. *NOTE: With the implementation of OFPC's new project management system, OPUS, this may not be referred to as a "Form 4/5" any longer, or even needed.*
2. If the Project has any remaining funds from PUF, TRB, or RFS Debt proceeds, OFPC will notify the institution and the Office of Finance that the Project is being closed and that the funds must be moved out of available funds for construction reimbursement.
3. The Office of Finance may move the remaining funds to the debt service account and apply the funds towards the Project's next debt service payment(s), or the remaining funds may be moved to another CIP project with all its necessary approvals in place.

FORMS AND TOOLS/ONLINE PROCESSES

[Sample PPF for visual reference only. Actual PPF will be a web-based formed, operational by July 1.]

U. T. System Administration - Project Planning Form (PPF)

Instructions: Complete **all** yellow fields, and submit with signed President's Letter.

BOARD MEETING INFORMATION:		
Today's Date:	Jan-00	
Desired BOR Meeting Date:	Select...	Select...
Desired BOR Action(s):	Select...	
	Select...	
	Select...	
	Select...	
	Select...	

DELIVERY DATES:	
Added to the CIP:	Select...
Start Facilities Programming:	Jan-00
DD Approval:	Select...
THECB Approval:	Select...
Notice to Proceed:	Jan-00
Substantial Completion:	Jan-00
Operational Occupancy:	Jan-00

PROJECT CHARACTERISTICS:			
Institution Name:	Select...	Building Type:	Select...
Project Name:		Delivery Method:	Select...
Management Type:	Select...	Historically Significant:	Select...
OFPC Project Number:		Architecturally Significant:	Select...
A-E/Contractor:		Gross Square Footage:	
Category:	Select...	Assignable Square Footage:	
Project Type:	Select...	Part of current Master Plan?	Select...

SOURCE OF FUNDS:		
Funding Source	Current ($)	Proposed ($)
Select...	-	-
Select...	-	-
Select...	-	-
Select...	-	-
Select...	-	-
Total Project Cost:	$ -	$ -

PROJECTED EXPENDITURE TIMELINE*					
FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -

*Must sum to TPC. Expenditure priority for the various funding sources is generally: (1) TRB Debt, (2) PUF Debt, (3) RFS Debt, then (4) Institutional Funds.

DESCRIPTION:

JUSTIFICATION:

INVESTMENT METRICS:	GOAL:	YEAR:	NOTES:
Select...			
Select...			
Select...			
Select...			
Select...			

OTHER INFORMATION:

U. T. System Administration - Project Planning Form (PPF) (cont'd.)

Instructions: Complete **all** yellow fields if the Project includes **any** Debt funding or **any** Gift funding.

Repayment Source(s) for RFS Debt: Select... / Select...

Useful Life of the Project or Improvements (years):

What portion of Gifts are in-hand, pledged, and/or not yet raised? *

In-Hand	Pledged	Not-Yet-Raised
$ -	$ -	$ -

If not RFS Debt, what source of funds will fund construction in place of the Not-Yet-Raised Gifts?

If PUF Debt (non-LERR) is listed as a funding source, what date did the BOR allocate PUF funding? 1/0/1900

Is any or all of the PUF Debt previously designated as LERR or STARS funding? If yes, what amount?

Amount	What PUF LERR Year?
$ -	
$ -	
$ -	

If TRB Debt is listed as a funding source, when did the Legislature authorize the TRBs? 1/0/1900

If RFS Debt is expected to be supported by Student Fees, what is the statutory authorization for the fee?

If the fee(s) have been approved by the Legislature, when did the BOR authorize the fees? 1/0/1900

Will this Project utilize debt proceeds to pay interest expense during construction (i.e., capitalized interest)? Select...

If yes to the question above, what amount of the TPC will be used for this purpose? $ -

Is the Project expected to be partially or fully self-supporting (revenue-generating)? Select...

Please attach the following:

- Revised six-year forecast if the Project is non-revenue-generating Construction requesting BOR appropriation and authorization
- Pro Forma if Project is to be fully or partially self-funding Construction requesting BOR appropriation and authorization
- Map, survey, appraisal, current leases, current title policy, title exceptions, etc. if Real Estate Acquisition
- Any other relevant information necessary for the evaluation of this Project.

Submitted by: ______________________ Date: ______________

Institution's Contact Person for construction-related questions: Name: ______________ Phone: __________

Institution's Contact Person for real estate-related questions: Name: ______________ Phone: __________

Institution's Contact Person for finance/gift-related questions: Name: ______________ Phone: __________

APPENDIX

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1. Title

Capital Improvement Program

2. Rule and Regulation

Sec. 1 Annual Status Report ~~Biennial Presentation~~. The University of Texas System Administration will maintain ~~prepare~~ a Capital Improvement Program (CIP) on an ongoing basis. Although the CIP is a dynamic document subject to change throughout the year, a report detailing the current status of the CIP will be formally presented to the Board of Regents annually. ~~biennially to be presented to the Board of Regents following completion of each regular session of the Texas Legislature.~~

Sec. 2 Contents of Program. The CIP will consist of a six-year projection of major new construction and repair and rehabilitation projects (Major Projects) to be implemented and funded from institution and System-wide revenue sources. The CIP should be a current reflection of the institutions' continuous processes of strategic planning and master planning for institutional programs, as well as for the future development and preservation of the physical plant of the campuses.

Sec. 3 Modifications to the CIP ~~Off-Cycle Requests~~. The CIP is subject to modification at any Board of Regents' meeting. Candidate projects will routinely be added to the CIP, and project information such as funding sources, project cost, and delivery dates will routinely be revised. ~~during the biennial update.~~ For Major Projects seeking Board action, ~~emerging critical or urgent new Major Projects,~~ the institutional president may submit a request ~~an "off-cycle" request~~ for inclusion on ~~via~~ the Board of Regents' agenda, accompanied by a Project Planning Form. Requests to add to or modify the CIP will be reviewed in accordance with the processes adopted in the CIP.

Sec. 4 Preliminary Cost Expenditures for Major ~~Capital~~ Projects. Addition of a project to ~~Adoption of~~ the CIP provides authority for the U. T. System Administration and the institutional administration to expend institutional funds up to 5% ~~3%~~ of the anticipated total ~~preliminary~~ project cost to develop the formal Facility Program document, select the project architect, and develop preliminary project plans. Requests to expend funds in excess of the amount equal to ~~the~~ 5% ~~3%~~ but not more than 10% of the anticipated total ~~preliminary~~ project cost shall be reviewed and approved by the Executive Vice Chancellor for Business Affairs. These funds will be provided by the institution initially but will be reimbursed to the institution from applicable project funds upon ~~after~~ design development approval or upon Texas Higher Education Coordinating Board approval (if applicable), whichever is later. ~~and appropriation of project funds by the Board of Regents.~~

Sec. 5 Institutional Management of a Major Project. Addition of a project to ~~Adoption of~~ the CIP includes authorization of institutional management of Major Projects so designated in the CIP. ~~"Off-cycle"~~ Requests for institutional management shall be reviewed and approved by the Associate Vice Chancellor for Facilities Planning and Construction ~~Chancellor~~. Projects approved for institutional management will be included in the ~~amended~~ CIP. Projects designated for institutional management shall follow the process, authority, and approvals as outlined in Rule 80404 of the Regents' *Rules and Regulations* for the full amount stipulated in the CIP. ~~Funding other than debt financing will be appropriated at the time of authorization of institutional management.~~

~~Sec. 6~~ ~~Capital Budget. The CIP will include the Capital Budget, a two-year detailed expenditure allocation of source(s) of funds.~~

~~6.1~~ ~~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 allows these projects to be presented to the Chancellor for approval of design development plans, authorization for expenditure of funds, and implementation of the projects by the administrative staff without returning to the Board of Regents for further approvals.~~

~~6.2~~ ~~The Board of Regents will approve the design development plans for all Major Projects other than repair and rehabilitation projects that are not architecturally or historically significant.~~

Sec. ~~7~~ 6 Feasibility and Planning Studies. For projects included in the CIP and identified as feasibility studies or planning studies, adoption of the CIP provides authority for the U. T. System Administration and the institutional administration to expend institutional funds for the full amount stipulated in the CIP. These funds will be provided by the institution initially but will be reimbursed to the institution from future CIP funds allocated for projects related to the studies after design development approval and appropriation of project funds by the Board of Regents.

3. Definitions

Major Project – Any project that meets one or more of the following criteria: 1) new building construction with a value of more than $1 million, 2) road, paving, and repair and rehabilitation projects with a value of more than $2 million, 3) any project determined by the Board to be architecturally or historically significant, 4) any project that is debt financed [Revenue Financing System (RFS), Tuition Revenue Bond (TRB), Permanent University Fund (PUF)] regardless of dollar value ~~except those projects appropriated through the LERR budget~~, and 5) any campus planning efforts that are intended to result in a capital project meeting one or more of these criteria.

1. Title

Use of the Available University Fund

2. Rule and Regulation

Sec. 1 Impact of Spending. Any staff recommendation to appropriate funds from the Available University Fund (AUF), or from Permanent University Fund (PUF) Bond Proceeds, will be presented in the context of that appropriation's impact on: (a) AUF funding for the support and maintenance of U. T. Austin, (b) bond ratings, and (c) projected AUF balances. These impacts will be considered ~~in order~~ to provide a consistent and dependable level of funding and to maintain the highest possible credit ratings.

Sec. 2 Required Reports. ~~In order to~~ To determine the appropriate level of spending of the AUF, the following reports will be provided to the Board of Regents:

2.1 A forecast of at least six years of the income and expenditures of the AUF will be presented at each meeting of the Board of Regents’ Finance and Planning Committee by the Office of Finance. Quarterly, The University of Texas Investment Management Company (UTIMCO) shall provide to the Office of Finance a forecast of the PUF distributions to the AUF that will be the basis of the AUF forecast. Included as part of the AUF forecast will be the projected amount of remaining PUF debt capacity calculated in accordance with this policy.

2.2 In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents in May of each year an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year.

2.3 The CIP will ~~be reviewed and updated every two years. The update will~~ include an estimated start date for each project that ~~which~~ will be based on the criteria set forth in Section 3.2 below, project readiness, projected fund availability, and relative urgency of need for the completed project.

Sec. 3 Individual Projects. The following items will be done when preparing requests of AUF expenditures:

3.1 As a part of each agenda item requesting approval of AUF expenditures or PUF funded projects, a statement indicating compliance with this policy based on the most recent forecast shall be included.

3.2 In preparing recommendations for projects to be approved, ~~the~~ staff will be guided by the following justification criteria:

(a) consistency with institution’s mission;

(b) project need;

(c) unique opportunity;

(d) matching funds/leverage;

(e) cost effectiveness;

(f) state of existing facility condition; and

(g) other available funding sources.

3.3 No project will be recommended for approval, if in any of the forecasted years the required appropriations from the AUF or PUF bond proceeds would cause:

(a) the forecasted AUF expenditures for program enrichment at U. T. Austin to fall below 45% of the sum of the projected U. T. System share of the net divisible AUF annual income and interest income on AUF balances [subject to the limits imposed by (b) and (c) below];

(b) debt service coverage to be less than 1.50:1.00; and

(c) the forecasted end of year AUF balance to be less than $30 million.

Sec. 4 System Administration Budget. Operating expenditures of the U. T. System Administration will be carefully controlled ~~in order~~ to maximize the opportunity to meet the capital needs of the institutions of the U. T. System and the operating budget needs of U. T. Austin. Wherever possible, alternate funding from institutions, State funds, or other sources will be sought. Programs for which alternative funding cannot be obtained will be evaluated for possible reductions or phase-out.

1. Title

Major Construction and Repair and Rehabilitation Projects

2. Rule and Regulation

Sec. 1 Contract Authorization - Architects. Subject to Regents' *Rules and Regulations*~~,~~ Rule 80301 and Rule 10501, and Sections 2, 3, 4~~,~~ and 5 below, and except as otherwise specified in these *Rules and Regulations*, the Executive Vice Chancellor for Business Affairs, with the advice of the Associate Vice Chancellor for Facilities Planning and Construction and the institutional president, is authorized to appoint architects and execute contracts for professional services.

Sec. 2 Contract Authorization - Construction. The Executive Vice Chancellor for Business Affairs is authorized to execute construction and related contracts for all new construction projects and for all major repair and rehabilitation projects that have previously been approved or authorized by the Board of Regents in the Capital Improvement Program.

Sec. 3 ~~Capital Budget. Funding for Major Repair and Rehabilitation Projects that are not architecturally or historically significant may be appropriated by the Board of Regents through the Capital Budget. Funding for all other Major Projects is appropriated at the time of design development plan approval.~~

Authorization to Expend Funds Appropriated in the CIP.

3.1 The Chancellor will approve the Design Development Plans for all major repair and rehabilitation projects that are not architecturally or historically significant and authorize expenditure of appropriated funds. The executive officers and institution presidents shall be responsible for identifying special interest projects to the Facilities Planning and Construction Committee.

3.2 The Board of Regents will approve the Design Development Plans for all Major Projects other than repair and rehabilitation projects that are not architecturally or historically significant and authorize expenditure of appropriated funds. The executive officers and institution presidents shall be responsible for identifying special interest projects to the Facilities Planning and Construction Committee.

Sec. 4 Approval for Excess Costs. ~~Costs in excess of an amount equal~~ Project costs that exceed 10% of ~~to~~ the Total Project Cost approved by the Board of Regents ~~plus 10% or any material change in the concept or scope of the project~~ or $500,000, whichever is greater, must be approved by the Board.

Sec. 5 Standardized Contracts. Construction contracts executed and delivered on behalf of the Board of Regents for Major Projects shall comply with guidelines issued by the U. T. System Administration's Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

Sec. 6 Contract Management. The Associate Vice Chancellor for Facilities Planning and Construction shall approve the construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price, or stipulated sum proposals; sign change orders; and provide general supervision of all Major Projects.

Sec. 7 Authority to Increase Project Cost. The Chancellor, with the advice of the appropriate Executive Vice Chancellor, Office of Finance, and institution president, is authorized to increase the approved Total Project Cost not more than 10%. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single institution if funding for such projects has previously been authorized or approved funding from some other source available to the institution.

Sec. 8 Facility Program. A facility program shall be prepared for all Major Projects in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction. The facility program must be approved by the president of the institution.

Sec. 9 Adherence with Campus Master Plan. Requests for Qualifications (RFQs) issued to solicit responses from interested architects will include a requirement that the architect evidence agreement to adhere to the approved Campus Master Plan and a set of criteria applicable to the facility program and the needs of the institution.

Sec. 10 Preparation of Design Development Plans. After approval of the facility program, the Associate Vice Chancellor for Facilities Planning and Construction is authorized to give the project architect, engineer, or design-build contractor the facility program and the Campus Master Plan and to direct the preparation of schematic plans, exterior design, site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans") and Design Development Plans, elevations, and sections, outline specifications, cost estimates, and other related work to establish the scope, design, dimensions, and materials of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect, engineer, or design-build contractor shall work with the Ad Hoc Project Building Committee, if any, and the Office of Facilities Planning and Construction, with regard to architectural design and construction projects.

~~Sec. 11 Approval of Design Development Plans. Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board of Regents for approval upon the recommendation of the Chancellor. The Executive Officers and institution presidents shall be responsible for identifying to the Facilities Planning and Construction Committee special interest projects.~~

~~Sec. 12 Expenditure Authorization. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board of Regents will authorize expenditure of funds for the Project.~~

Sec. 11~~3~~ Construction Documents. After approval of the Design Development Plans, the Associate Vice Chancellor for Facilities Planning and Construction is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").

3. Definitions

Facility Program – A project planning document that organizes and summarizes client needs and programmatic information needed to design a capital project. It is generated through a process of collecting, analyzing, synthesizing, and documenting significant requirements for a Project prior to proceeding into the Design Phase.

Major Project – Any project that meets one or more of the following criteria: 1) new building construction with a value of more than $1 million, 2) road, paving, and repair and rehabilitation projects with a value of more than $2 million, 3) any project determined by the Board to be architecturally or historically significant, 4) any project that is debt financed (RFS, TRB, PUF) regardless of dollar value ~~except those projects appropriated through the LERR budget~~, and 5) any campus planning efforts that are intended to result in a capital project meeting one or more of these criteria.

1. Title

Institutional Management of Major Construction and Repair and Rehabilitation Projects

2. Rule and Regulation

Sec. 1 Contract Authorization - Architects. Subject to Regents' *Rules and Regulations*, Rule 80301 and Rule 10501, and Sections 2, 3, 4, and 5 below, and except as otherwise specified in these *Rules and Regulations*, the institutional president, with the advice of the appropriate Executive Vice Chancellor, is authorized to appoint architects and execute contracts for professional services.

Sec. 2 Contract Authorization - Construction. The institutional president is authorized to execute construction and related contracts for all new construction projects and for all major repair and rehabilitation projects that have previously been approved or authorized for institutional management by the Board of Regents in the Capital Improvement Program (CIP).

Sec. 3 Standardized Contracts. Construction contracts executed and delivered on behalf of the Board of Regents for Major Projects shall comply with guidelines issued by the U. T. System Administration Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

Sec. 4 ~~Capital Budget. Funding for Major Repair and Rehabilitation Projects that are not architecturally or historically significant may be appropriated by the Board of Regents through the Capital Budget. Funding for all other Major Projects is appropriated at the time of design development plan approval.~~

Authorization to Expend Funds Appropriated in the CIP.

4.1 The institution president will approve the Design Development Plans for all major repair and rehabilitation projects that are not architecturally or historically significant and authorize expenditure of appropriated funds. The executive officers and institution presidents shall be responsible for identifying special interest projects to the Facilities Planning and Construction Committee.

4.2 The Board of Regents will approve the Design Development Plans for all Major Projects other than repair and rehabilitation projects that are not architecturally or historically significant and authorize expenditure of appropriated funds. The executive officers and institution presidents shall be responsible for identifying special interest projects to the Facilities Planning and Construction Committee.

Sec. 5 Approval for Excess Costs or Material Change. ~~Costs in excess of an amount equal~~ Project costs that exceed 10% of ~~to~~ the Total Project Cost approved by the Board of Regents ~~plus 10% or any material change in the concept or scope of the project~~ or $500,000, whichever is greater, must be approved by the Board.

Sec. 6 Contract Management. The institutional president shall approve the construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price, or stipulated sum proposals; sign change orders; and provide general supervision of all Major Projects.

Sec. 7 Authority to Increase Project Cost. The institutional president with the advice of the appropriate Executive Vice Chancellor, is authorized to increase the approved Total Project Cost not more than 10%. To provide funding for the increase, the institutional president may reallocate funding between or among approved projects at the institution if funding for such projects has previously been authorized or is from some other source of approved funds available to the institution.

Sec. 8 Facility Program. A facility program shall be prepared in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction. The facility program must be approved by the president of the institution.

Sec. 9 Adherence with Campus Master Plan. Requests for Qualifications (RFQs) issued to solicit responses from interested architects will include a requirement that the architect evidence agreement to adhere to the approved Campus Master Plan and a set of criteria applicable to the facility program and the needs of the institution.

Sec. 10 Preparation of Design Development Plans. After approval of the facility program, the institutional president is authorized to give the project architect, engineer, or design-build contractor the facility program and the Campus Master Plan and to direct the preparation of schematic plans, exterior design, site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans") and Design Development Plans, elevations, and sections, outline specifications, cost estimates, and other related work to establish the scope, design, dimensions, and materials of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect, engineer, or design-build contractor shall work with the Ad Hoc Project Building Committee, if any, and the institutional president with regard to architectural design and construction projects.

~~Sec. 11 Approval of Design Development Plans. Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board of Regents for approval upon the recommendation of the Chancellor. The institutional president shall be responsible for identifying to the Board of Regents special interest projects.~~

~~Sec. 12 Expenditure Authorization. Upon approval of the Design Development Plans for institutionally managed Major Project new construction or repair and rehabilitation projects, the Board of Regents will authorize expenditure of funds for the projects.~~

Sec. 11~~3~~ Construction Documents. After approval of the Design Development Plans, the institution president is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").

3. Definitions

Facility Program – A project planning document that organizes and summarizes client needs and programmatic information needed to design a capital project. It is generated through a process of collecting, analyzing, synthesizing and documenting significant requirements for a Project prior to proceeding into the Design Phase.

Major Project – Any project that meets one or more of the following criteria: 1) new building construction with a value of more than $1 million, 2) road, paving, and repair and rehabilitation projects with a value of more than $2 million, 3) any project determined by the Board to be architecturally or historically significant, 4) any project that is debt financed (RFS, TRB, PUF) regardless of dollar value ~~except those projects appropriated through the LERR budget~~, and 5) any campus planning efforts that are intended to result in a capital project meeting one or more of these criteria.

6. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended February 29, 2008

REPORT

The February 29, 2008, UTIMCO Performance Summary Report is attached on Page 62.

The Investment Reports for the fiscal quarter ended February 29, 2008, are set forth on Pages 63 – 66.

Item I on Page 63 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was (1.98%) and 1.81% for the first half of the fiscal year versus its composite benchmark returns of (2.37%) and 1.17%, respectively. The PUF's net asset value decreased by $255 million since the beginning of the quarter to $11,906 million. This change in net asset value includes contributions from PUF land receipts and negative net investment returns, and the second payment of the annual distribution to the Available University Fund (AUF) for $112 million.

Item II on Page 64 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was (1.89%) and 2.00% for the first half of the fiscal year versus its composite benchmark returns of (2.37%) and 1.17%, respectively. The GEF's net asset value decreased during the quarter to $6,599 million.

Item III on Page 65 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was (.64%) and 3.60% for the first half of the fiscal year versus its composite benchmark returns of (1.6%) and 1.69%, respectively. The net asset value has increased to $3,937 million due to net contribution of $151 million less net investment return of ($23 million) and distributions of $29 million.

Item IV on Page 66 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by $20 million to $1,495 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $28 million versus $28 million at the beginning of the period; equities: $58 million versus $65 million at the beginning of the period; and other investments: $.05 million versus $.04 million at the beginning of the period.

UTIMCO Performance Summary

February 29, 2008

	Net Asset Value 2/29/2008 (in Millions)	Periods Ended February 29, 2008 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 11,906	1.64	(1.98)	1.81	(1.82)	8.86	11.32	15.21	8.17
General Endowment Fund		1.58	(1.89)	2.00	(1.79)	9.26	11.51	15.48	N/A
Permanent Health Fund	1,101	1.61	(1.85)	2.01	(1.74)	9.14	11.42	15.37	N/A
Long Term Fund	5,497	1.61	(1.85)	2.02	(1.74)	9.15	11.43	15.39	8.69
Separately Invested Funds	192	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	18,696								
OPERATING FUNDS									
Short Term Fund	1,390	0.31	1.14	2.45	0.71	5.20	4.66	3.30	3.92
Intermediate Term Fund	3,937	1.21	(0.64)	3.60	(0.54)	7.42	N/A	N/A	N/A
Total Operating Funds	5,327								
Total Investments	$ 24,023								
VALUE ADDED									
Permanent University Fund		0.81	0.39	0.64	0.36	2.14	0.25	2.22	0.05
General Endowment Fund		0.75	0.48	0.83	0.39	2.54	0.44	2.49	N/A
Short Term Fund		0.16	0.20	0.35	0.06	0.34	0.25	0.14	0.17
Intermediate Term Fund		0.59	0.96	1.91	0.62	4.08	N/A	N/A	N/A

Footnotes available upon request.

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended February 29, 2008
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2007	Quarter Ended February 29, 2008	Fiscal Year to Date Ended February 29, 2008
Beginning Net Assets	$ 10,313.4	$ 12,160.7	$ 11,742.8
PUF Lands Receipts	272.8	89.4	170.7
Investment Return	1,639.8	(227.1)	242.5
Expenses	(82.5)	(4.9)	(25.7)
Distributions to AUF	(400.7)	(112.3)	(224.5)
Ending Net Assets	$ 11,742.8	$ 11,905.8	$ 11,905.8

Fiscal Year to Date

	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	2.45%	2.10%	-0.11%	0.00%	-0.11%
Fixed Income	7.91%	5.67%	-0.12%	0.22%	0.10%
TIPS	11.76%	11.94%	-0.14%	-0.01%	-0.15%
REITS	-11.72%	-14.03%	0.01%	0.13%	0.14%
Commodities	36.40%	35.23%	0.35%	0.03%	0.38%
U.S. Equities	-10.61%	-8.81%	0.25%	-0.41%	-0.16%
Non-U.S. Developed Equity	-4.53%	-4.71%	-0.03%	0.02%	-0.01%
Emerging Markets Equity	9.90%	8.15%	0.09%	0.07%	0.16%
Private Capital	2.72%	8.99%	0.03%	-0.91%	-0.88%
Directional Hedge Funds	9.24%	0.31%	0.08%	0.87%	0.95%
Absolute Return Hedge Funds	1.89%	0.31%	-0.02%	0.24%	0.22%
Total	**1.81%**	**1.17%**	**0.39%**	**0.25%**	**0.64%**

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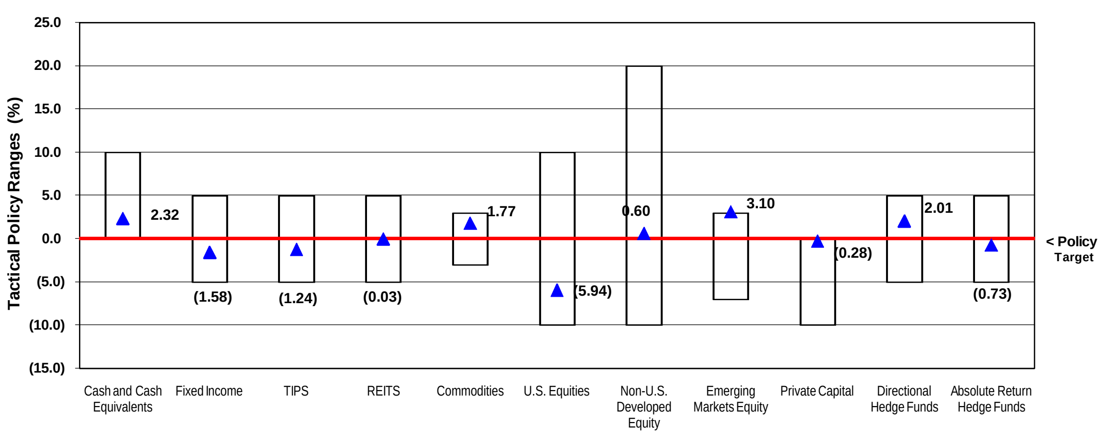
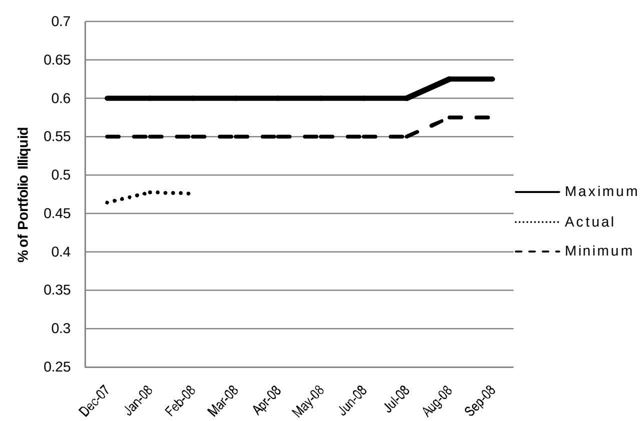
Deviations From Policy Targets Within Tactical Policy Ranges
As of February 29, 2008



Target Allocation	0%	10%	5%	5%	3%	20%	10%	7%	15%	10%	15%

Permanent University Fund
Actual Illiquidity vs. Trigger Zones

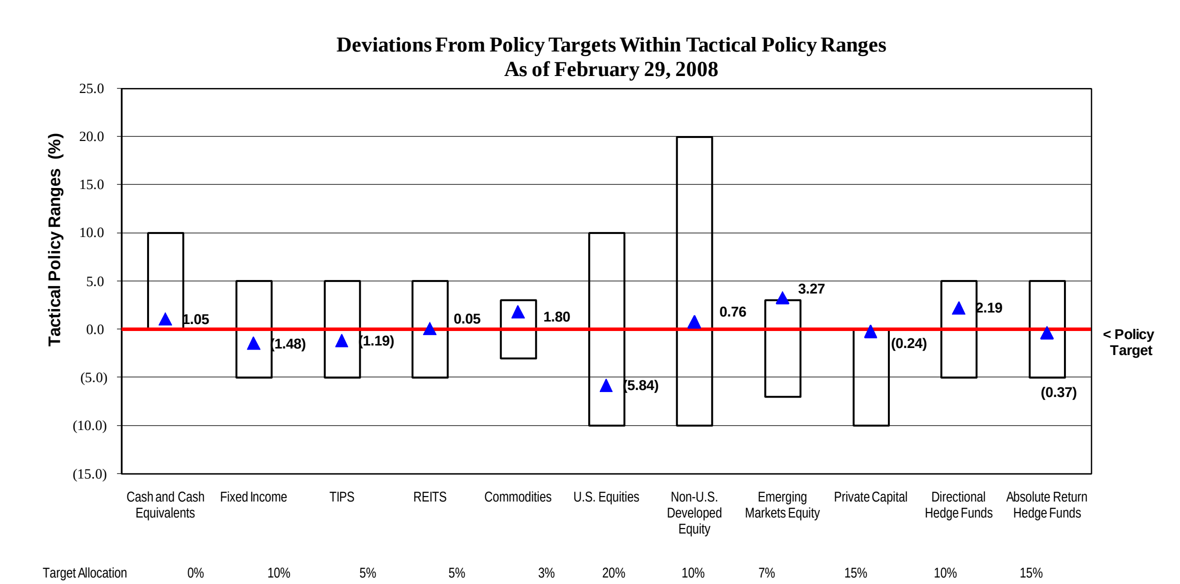


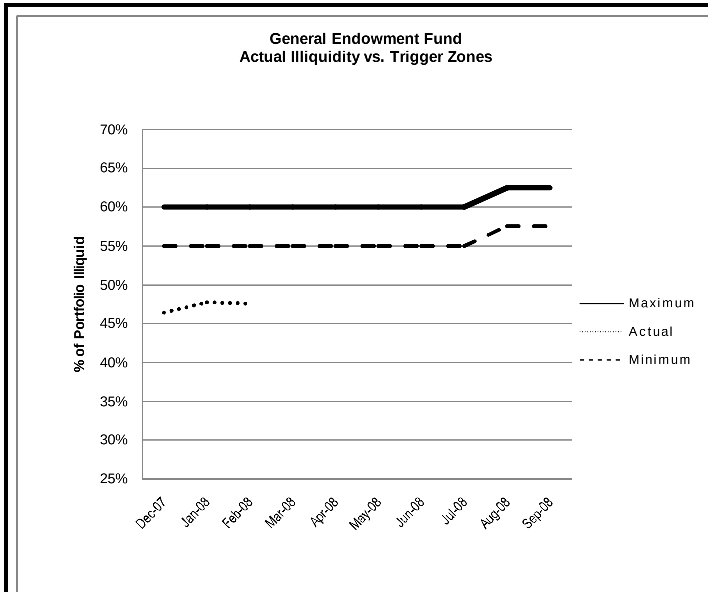
II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended February 29, 2008
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2007	Quarter Ended February 29, 2008	Fiscal Year to Date Ended February 29, 2008
Beginning Net Assets	$ 5,427.8	$ 6,717.7	$ 6,433.1
Contributions	360.7	70.0	160.4
Withdrawals	(6.2)	(0.4)	(0.7)
Distributions	(239.6)	(64.2)	(127.7)
Investment Return	928.5	(122.5)	144.4
Expenses	(38.1)	(1.7)	(10.6)
Ending Net Assets	$ 6,433.1	$ 6,598.9	$ 6,598.9

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	2.45%	2.10%	-0.12%	0.00%	-0.12%
Fixed Income	7.93%	5.67%	-0.11%	0.22%	0.11%
TIPS	11.78%	11.94%	-0.16%	-0.01%	-0.17%
REITS	-11.56%	-14.03%	0.02%	0.14%	0.16%
Commodities	35.96%	35.23%	0.36%	0.03%	0.39%
U.S. Equities	-10.60%	-8.81%	0.15%	-0.40%	-0.25%
Non-U.S. Developed Equity	-4.44%	-4.71%	0.02%	0.03%	0.05%
Emerging Markets Equity	9.75%	8.15%	0.13%	0.07%	0.20%
Private Capital	3.71%	8.99%	0.00%	-0.76%	-0.76%
Directional Hedge Funds	9.25%	0.31%	0.10%	0.88%	0.98%
Absolute Return Hedge Funds	1.89%	0.31%	0.00%	0.24%	0.24%
Total	**2.00%**	**1.17%**	**0.39%**	**0.44%**	**0.83%**





III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended February 29, 2008

Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2007	Quarter Ended February 29, 2008	Fiscal Year to Date Ended February 29, 2008
Beginning Net Assets	$ 3,048.8	$ 3,837.5	$ 3,720.6
Contributions	664.6	220.5	1,235.9
Withdrawals	(228.6)	(69.5)	(1,101.8)
Distributions	$ (104.0)	$ (29.0)	$ (58.1)
Investment Return	377.4	(18.9)	152.6
Expenses	(37.6)	(3.7)	(12.3)
Ending Net Assets	$ 3,720.6	$ 3,936.9	$ 3,936.9

Fiscal Year to Date

	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	2.45%	2.10%	-0.03%	0.00%	-0.03%
Fixed Income	6.99%	5.67%	-0.03%	0.32%	0.29%
TIPS	11.78%	11.94%	-0.01%	-0.02%	-0.03%
REITS	-11.93%	-14.03%	-0.03%	0.24%	0.21%
Commodities	35.70%	35.23%	0.06%	0.02%	0.08%
U.S. Equities	-8.99%	-8.81%	0.21%	-0.03%	0.18%
Non-U.S. Developed Equity	-4.42%	-4.71%	0.00%	0.01%	0.01%
Emerging Markets Equity	7.72%	8.15%	-0.04%	-0.04%	-0.08%
Directional Hedge Funds	9.26%	0.31%	-0.04%	1.11%	1.07%
Absolute Return Hedge Funds	2.00%	0.31%	0.00%	0.21%	0.21%
Total	**3.60%**	**1.69%**	**0.09%**	**1.82%**	**1.91%**

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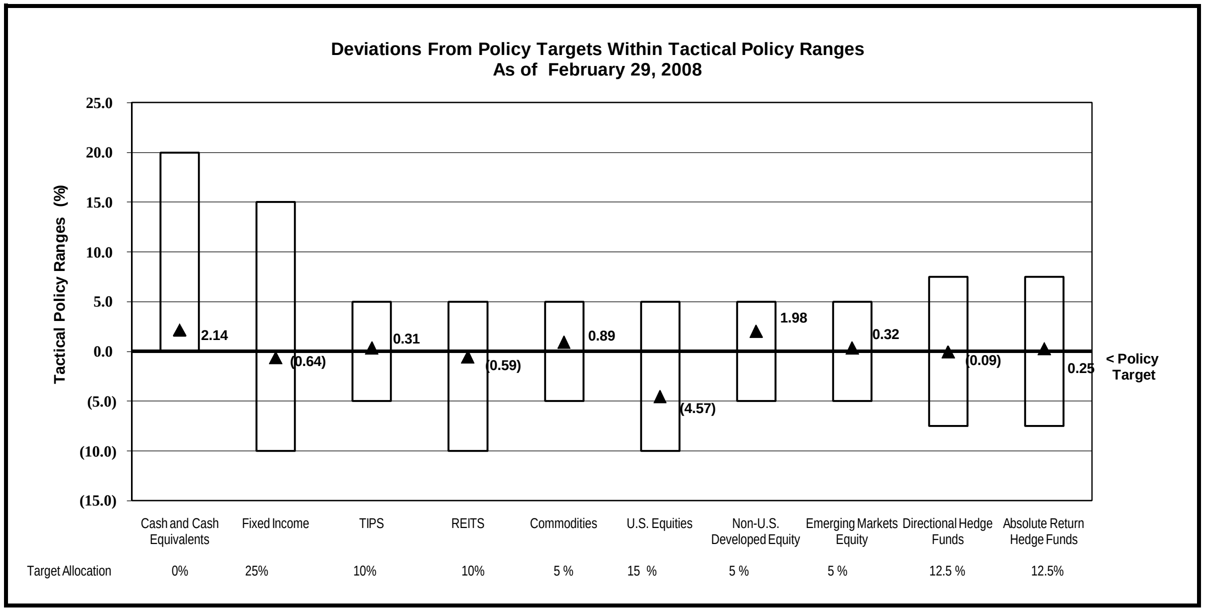

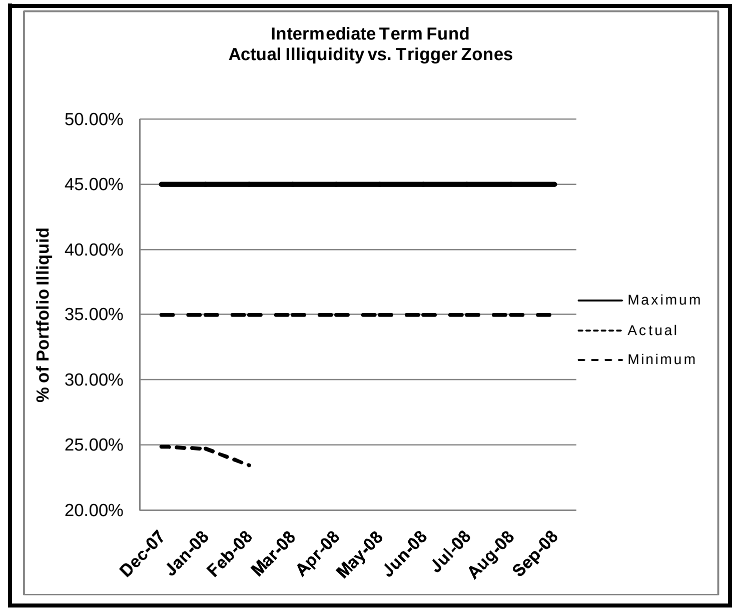

IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at February 29, 2008
Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

FUND TYPE

	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL	
	DESIGNATED		RESTRICTED													
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 11/30/07	2,033	2,033	2,950	2,950	39,946	39,946	7,274	7,274	4,186	4,186	56,389	56,389	1,458,678	1,458,678	1,515,067	1,515,067
Increase/(Decrease)	(55)	(55)	(242)	(242)	47,839	47,839	(462)	(462)	1,673	1,673	48,753	48,753	(68,933)	(68,933)	(20,180)	(20,180)
Ending value 02/29/08	1,978	1,978	2,708	2,708	87,785	87,785	6,812	6,812	5,859	5,859	105,142	105,142	1,389,745	1,389,745	1,494,887	1,494,887
Debt Securities:																
Beginning value 11/30/07	-	-	264	239	12,976	13,727	13,807	14,254	-	-	27,047	28,220	-	-	27,047	28,220
Increase/(Decrease)	-	-	-	10	(308)	(157)	(9)	260	-	-	(317)	113	-	-	(317)	113
Ending value 02/29/08	-	-	264	249	12,668	13,570	13,798	14,514	-	-	26,730	28,333	-	-	26,730	28,333
Equity Securities:																
Beginning value 11/30/07	24	3,900	571	619	33,079	39,267	15,745	21,241	-	-	49,419	65,027	-	-	49,419	65,027
Increase/(Decrease)	-	(1,295)	(128)	(202)	445	(3,626)	2,737	(1,776)	-	-	3,054	(6,899)	-	-	3,054	(6,899)
Ending value 02/29/08	24	2,605	443	417	33,524	35,641	18,482	19,465	-	-	52,473	58,128	-	-	52,473	58,128
Other:																
Beginning value 11/30/07	-	-	146	146	1	1	300	116	130	130	577	393	-	-	577	393
Increase/(Decrease)	-	-	134	134	7	7	5	13	(40)	(40)	106	114	-	-	106	114
Ending value 02/29/08	-	-	280	280	8	8	305	129	90	90	683	507	-	-	683	507
Total Assets:																
Beginning value 11/30/07	2,057	5,933	3,931	3,954	86,002	92,941	37,126	42,885	4,316	4,316	133,432	150,029	1,458,678	1,458,678	1,592,110	1,608,707
Increase/(Decrease)	(55)	(1,350)	(236)	(300)	47,983	44,063	2,271	(1,965)	1,633	1,633	51,596	42,081	(68,933)	(68,933)	(17,337)	(26,852)
Ending value 02/29/08	2,002	4,583	3,695	3,654	133,985	137,004	39,397	40,920	5,949	5,949	185,028	192,110	1,389,745	1,389,745	1,574,773	1,581,855

Details of individual assets by account furnished upon request.

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7. **U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund**

RECOMMENDATION

The Chancellor ad interim and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that

a. the fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 18.3% from $448,942,761 to $530,932,622 effective September 1, 2008. The distribution is an amount equal to 5.0% of the trailing 12-quarter average of the net asset value of the PUF. The increase in the distribution is a direct result of the increase in the market value of the PUF, as reflected in the trailing 12-quarter average ending February 29, 2008;

b. the distribution rate for the Permanent Health Fund (PHF) be increased from $0.0511 per unit to $0.0528 per unit for Fiscal Year 2009 (effective with November 30, 2008 distribution);

c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from $0.2929 per unit to $0.3024 per unit for Fiscal Year 2009 (effective with November 30, 2008 distribution); and

d. the distribution rate for the U. T. System Intermediate Term Fund (ITF) remain at 3.0% per annum (paid monthly) for Fiscal Year 2009.

BACKGROUND INFORMATION

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. A change to the PUF Investment Policy approved by the U. T. System Board of Regents on February 7, 2008, allows the distribution rate to be 5% of the trailing 12-quarter average if the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more. “Expected Return” is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement.

As shown in the table below, the average annual return of the PUF investments for the trailing 12 quarters ending February 29, 2008, has exceeded the Expected Return by 25 basis points or more (.25%) as set out in Exhibit A to the PUF Investment Policy Statement.

	Trailing 12 Quarters Ending February 29, 2008	Expected Return	Excess Return
Average Annual Rate of Return	11.32%	8.34%	2.98%

Therefore, as outlined in the PUF Investment Policy, the amount to be distributed from the PUF for Fiscal Year 2008-2009 is $530,932,622 as calculated below:

Quarter Ended	Net Asset Value
5/31/2005	$ 8,899,839,516
8/31/2005	9,426,742,792
11/30/2005	9,564,640,080
2/28/2006	9,798,633,228
5/31/2006	10,028,861,545
8/31/2006	10,313,393,571
11/30/2006	10,760,220,191
2/28/2007	11,058,603,363
5/31/2007	11,763,605,335
8/31/2007	11,742,780,402
11/30/2007	12,160,738,716
2/29/2008	11,905,770,605
	$ 127,423,829,344
Number of quarters	12
Average Net Asset Value	$ 10,618,652,445
Distribution Percentage	5.00%
FY 2008-09 Distribution	$ 530,932,622

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. System Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. System Board of Regents' discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF 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 PUF bonds and notes. The proposed distribution of $530,932,622 is substantially greater than PUF Bonds Debt Service of $189,364,986 projected for FY 2008-2009.

System	Debt Service
U. T.	$ 110,464,986
TAMU	78,900,000
Total	$ 189,364,986

Sources: U. T. System Office of Finance
Texas A&M University System Office of Treasury Services

2. The U. T. System Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 29, 2008, was 2.81%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return	8.37%
Mineral Interest Receipts	1.67%
Expense Rate	(0.25)% (1)
Inflation Rate	(2.72)%
Distribution Rate	(4.26)%
Net Real Return	**2.81%**

(1) The expense rate as shown is a 10-year annualized average and includes all PUF Investment and PUF Land expenses, including the UTIMCO management fee, paid directly by the PUF. Prior to November 29, 1999, expenses related to PUF Investments and PUF Lands were paid from the AUF. Management fees that are netted from asset valuations and are not paid directly by the PUF are not included, as they are a reduction to the Rate of Total Return.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. System Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. System Board of Regents (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
$10,618,652,445	$530,932,622	**5.00%**	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and LTF are to

a. provide a predictable stable stream of distributions over time;

b. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and

c. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The spending formula under the PHF Investment Policy Statement and the LTF Investment Policy Statement increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each fund's respective trailing 12 fiscal quarters. The U. T. System Board of Regents has full authority to alter distribution rates at its sole discretion.

The recommended 3.2% increase in the PHF distribution rate of $0.0511 to $0.0528 per unit was based on the PHF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 4.3%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy Statement. The recommended distribution rate of $0.0528 per unit was approved by the UTIMCO Board at its April 25, 2008 meeting.

The recommended 3.2% increase in the LTF distribution rate from $0.2929 to $0.3024 per unit was based on the LTF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The LTF's distribution rate calculated using the prior 12-quarter average value of the LTF is 4.4%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy Statement. The increase in the consumer price index for the prior three years as of November 30, 2007, was 3.2%. The recommended distribution rate of $0.3024 per unit was approved by the UTIMCO Board at its April 25, 2008 meeting.

The distribution rate for the ITF was set at 3.0% per annum for Fiscal Year 2007 by the UTIMCO Board and the U. T. System Board of Regents on March 30, 2006 and May 11, 2006, respectively. The recommendation for the rate to remain at 3.0% for Fiscal Year 2009 was approved by the UTIMCO Board at its April 25, 2008 meeting.

8. <u>U. T. System: Approval to negotiate a contract for the Delivery Phase of the Common Chart of Accounts Initiative</u>

<u>RECOMMENDATION</u>

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Board approve proceeding with the Delivery Phase of the U. T. System Common Chart of Accounts Initiative and authorize the Associate Vice Chancellor - Controller and Chief Budget Officer to negotiate a reasonable price for services with Alvarez & Marsal or an alternative firm selected through the U. T. System procurement process, with final approval of the firm and terms of the contract to be made by Chancellor ad interim Shine and Vice Chairman Rowling, Chairman of the Finance and Planning Committee.

<u>BACKGROUND INFORMATION</u>

The U. T. System-wide Common Chart of Accounts Initiative was discussed with the Finance and Planning Committee on August 22, 2007. There are two phases for this initiative: the Planning Phase and Delivery Phase.

Alvarez & Marsal was selected through a competitive bid process to provide consulting services for U. T. M. D. Anderson Cancer Center for a similar project involving an accounting key design. After discussing the credentials of Alvarez & Marsal and an overview of their strategy and approach for the U. T. System Initiative, they were engaged to perform the Planning Phase of the Initiative through an interagency contract with U. T. M. D. Anderson Cancer Center. Expected completion date of the Planning Phase is May 2008.

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the status of the U. T. System-wide Common Chart of Accounts Initiative, including engaging a firm to assist in the Delivery Phase of the financial consolidation and reporting software.

The Delivery Phase includes designing, building, testing, and deploying the financial consolidation and reporting software. To achieve full implementation by August 2009, this phase will begin at the conclusion of the Planning Phase.

The preliminary estimate for the entire project was reported to the Committee on August 22, 2007, at approximately $3.5 million. Current estimates for software licensing, maintenance, and training; hardware requirements; and consulting for the Planning and Delivery Phases, including reimbursement for travel, continue to remain at the same total project cost.

9. U. T. System: Approval to acquire Oracle Corporation site license

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize the Executive Vice Chancellor for Business Affairs to complete negotiations and execute documents as needed to acquire an Oracle Corporation site license that would make available the higher education line of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) for all U. T. System institutions in place of individual licenses currently required. It is further recommended that funding for the site license will be from Available University Funds (AUF) in the amount of $11.6 million and institutional funds in amounts determined by the Executive Vice Chancellor for Business Affairs, as appropriate.

BACKGROUND INFORMATION

A mix of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) are in use or in the implementation stages on 10 U. T. System campuses. U. T. Arlington, U. T. Dallas, and U. T. Tyler are implementing the PeopleSoft Student Information System; U. T. Tyler, U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. Health Science Center – San Antonio all utilize the PeopleSoft Finance and Human Resource (HR) Systems; U. T. M. D. Anderson Cancer Center utilizes the PeopleSoft HR System; and U. T. Southwestern Medical Center – Dallas just purchased the PeopleSoft Finance and HR Systems. U. T. Pan American utilizes the Oracle Finance and HR Systems.

In addition, six U. T. System institutions are presently considering other Oracle/ PeopleSoft purchases. U. T. M. D. Anderson Cancer Center has been evaluating Enterprise Resource Planning (ERP) solutions and, in the near future, possibly the Student Information System modules. U. T. Dallas is in need of a new financial application system and is evaluating PeopleSoft versus an implementation of Define. U. T. Health Science Center – San Antonio is planning on purchasing additional financial modules from Oracle. U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. Southwestern Medical Center – Dallas are all considering the purchase of the PeopleSoft Student Information System. Collectively these software licenses will cost the campuses nearly $7 million if purchased separately, even at the deeply discounted rates previously negotiated with PeopleSoft. Finally, collectively the U. T. System institutions and the U. T. System pay Oracle approximately $6 million a year in maintenance and support of application and database products that are currently in use; the site license will control these costs over 10 years.