



TABLE OF CONTENTS FOR MEETING OF THE BOARD

May 14-15, 2008
Tyler, Texas

Wednesday, May 14, 2008

COMMITTEE MEETING (*Ballroom, Ornelas Activity Center*)

Health Affairs Committee -- Special Meeting

10:00 - noon

- A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch) (*Room 140, Ornelas Activity Center*)

12:00 p.m.

Chairman Caven

1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

- a. **U. T. Health Science Center – Houston:**
Discussion regarding individual personnel matters related to the presidential search, including the possible selection and employment of a president
- b. **U. T. Southwestern Medical Center – Dallas:**
Discussion regarding individual personnel matters related to presidential search
- c. **U. T. System:** Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, Chancellor ad interim, General Counsel to the Board, and Director of Audits), and U. T. System and institutional employees

Wednesday, May 14, 2008 (continued)

2. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072
 - a. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action concerning negotiations to ground lease approximately three acres of unimproved land located in or adjacent to The University of Texas Research Park, Houston, Harris County, Texas, at either the northeast corner of Fannin Street and Old Spanish Trail, or the southeast corner of Bertner Road and East Road, to a ground tenant selected through a request for proposals process for the development of a biomedical research building containing approximately 300,000 square feet of rentable area to include research, conference, and commercial space, with approximately 150,000 square feet of research space to be subleased by U. T. M. D. Anderson Cancer Center and the remainder of the space to be subleased by third party tenants for research use and ancillary services**

*President Mendelsohn
Ms. Mayne*
 - b. **U. T. System: Issues related to West Texas Lands**

*Dr. Kelley
Ms. Mayne
Mr. Burgdorf*
 3. Negotiated Contracts for Prospective Gifts or Donations - Section 551.073
 - a. **U. T. Medical Branch – Galveston: Discussion related to a proposed negotiated gift**

*President Callender
Dr. Safady*
 - b. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a proposed negotiated gift with potential naming feature**

*President Mendelsohn
Dr. Safady*
 4. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**

Mr. Burgdorf
 - b. **U. T. System Board of Regents: Discussion of legal issues related to standards of conduct and ethics**

*Mr. Burgdorf
Ms. Frederick*
 - c. **U. T. System: Legal briefing on *Fisher v. Texas***

Mr. Burgdorf
 - d. **U. T. System: Legal issues related to West Texas Lands**

Mr. Burgdorf
- B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY *1:15 p.m.*
- C. RECESS *1:25 p.m.*

Wednesday, May 14, 2008 (continued)

COMMITTEE MEETINGS

(Ballroom, Ornelas Activity Center)

Facilities Planning and Construction Committee	1:30 p.m.
Health Affairs Committee.....	2:30 p.m.
Academic Affairs Committee.....	3:30 p.m.

Concurrent:

Audit, Compliance, and Management Review Committee	4:30 p.m.
<i>(Room 140, Ornelas Activity Center)</i>	

Student, Faculty, and Staff Campus Life Committee	4:30 p.m.
<i>(Ballroom, Ornelas Activity Center)</i>	

D. RECESS	5:30 p.m.
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Thursday, May 15, 2008 (*Ballroom, Ornelas Activity Center*)

	Board/Committee Meetings	Page
COMMITTEE MEETING		
Finance and Planning Committee	9:00 a.m.	
E. RECONVENE THE BOARD IN OPEN SESSION	10:00 a.m.	
F. APPROVAL OF MINUTES		
G. CONSIDER AGENDA ITEMS		
1. U. T. Tyler: Overview of the institution	10:05 a.m. Report <i>President Mabry</i>	1
2. U. T. System: Remarks by Chancellor ad interim Shine related to transitional issues	10:20 a.m. Report <i>Dr. Shine</i>	1
3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report	10:35 a.m. Action <i>Dr. Malandra</i>	1
4. U. T. System: Presentation on the U. T. System-wide Endowment Compliance Program	10:50 a.m. Report <i>Dr. Safady</i>	1
5. U. T. System: Annual report on research and technology transfer	11:05 a.m. Report <i>Dr. McDowell</i>	2
6. U. T. System: Approval to fund the Biodefense Postdoctoral Fellowship Program in partnership with Sandia National Laboratories	11:20 a.m. Action <i>Dr. McDowell</i>	2
7. U. T. System Board of Regents: Approval to amend Regents' <i>Rules and Regulations</i>, Rule 10501, regarding Delegation to Act on Behalf of the Board, to add Section 4.16 to increase the Board's contract approval threshold	11:22 a.m. Action <i>Mr. Burgdorf</i>	3
8. U. T. System Board of Regents: Approval to amend Regents' <i>Rules and Regulations</i>, Rule 80103, regarding solicitation, to allow the marketing of products or services at specified events	11:24 a.m. Action <i>Mr. Burgdorf</i>	5
9. U. T. System Board of Regents: Adoption of Regents' <i>Rules and Regulations</i>, Rule 80112, regarding Residential Conference Centers	11:26 a.m. Action <i>Mr. Burgdorf</i>	6
10. U. T. System Board of Regents: Discussion of The University of Texas Investment Management Company (UTIMCO) Code of Ethics	11:28 a.m. Discussion <i>Mr. Zimmerman</i>	8
H. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD	11:43 a.m.	
I. RECONVENE AS A COMMITTEE OF THE WHOLE TO ADJOURN	12:00 p.m.	

1. **U. T. Tyler: Overview of the institution**

REPORT

President Mabry will discuss the transformative activities at U. T. Tyler in recent years.

Supplemental Materials: PowerPoint presentation on Pages 1 - 7 of Volume 2.

2. **U. T. System: Remarks by Chancellor ad interim Shine related to transitional issues**

REPORT

Chancellor ad interim Shine will report on transitional issues at the U. T. System.

3. **U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will present the U. T. System Board of Regents' Accountability and Performance Report for 2007-2008. Following the presentation, the Board will be asked to accept the Report.

The Report, separately bound in a blue notebook, was mailed to the Board with this Agenda Book.

Supplemental Materials: PowerPoint presentation on Pages 8 - 23 of Volume 2.

4. **U. T. System: Presentation on the U. T. System-wide Endowment Compliance Program**

REPORT

Dr. Randa Safady, Vice Chancellor for External Relations, will present a report on the U. T. System Endowment Compliance Program.

Supplemental Materials: PowerPoint presentation on Pages 24 - 33 of Volume 2.

5. **U. T. System: Annual report on research and technology transfer**

REPORT

Dr. Keith McDowell, Vice Chancellor for Research and Technology Transfer, will present the annual report on research and technology transfer trends for the U. T. System.

Supplemental Materials: PowerPoint presentation on Pages 34 – 51 of Volume 2.

6. **U. T. System: Approval to fund the Biodefense Postdoctoral Fellowship Program in partnership with Sandia National Laboratories**

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 Vice Chancellor for Research and Technology Transfer that \$625,000 of Intermediate Term Fund (ITF) proceeds be approved to support eight joint postdoctoral fellows in the Biodefense Postdoctoral Fellowship Program and to provide support for a collaborative "grand challenge" project to be completed jointly by mentors at U. T. Medical Branch - Galveston and Sandia National Laboratories (SNL). Funds will be distributed to U. T. Medical Branch - Galveston in Fiscal Years 2008 and 2009.

BACKGROUND INFORMATION

In 2005, the U. T. System (UTS) and SNL entered into a joint Memorandum of Understanding (MOU) to "provide the basis for implementing (1) an expanded and formalized relationship between Sandia and UTS that will assess and enhance performance excellence at Sandia National Laboratories, and (2) increased interactions and collaborations between individual staff, faculty, and students at Sandia and the institutions comprising UTS." U. T. System and SNL jointly created a roadmap for implementation of the MOU in December 2006, entitled "Strategic Partnership Plan: Creating a National Agenda Together." The intent of the strategic plan is "to strengthen and deepen the relationship in the areas covered by the MOU" with an overarching goal "to achieve a greater mutual impact on national security issues." The strategic plan documents the joint plan with respect to Research Program Interfaces and Collaborations, Peer Review and Scientific Accountability, and Education and Transformation.

The total cost to seed the collaboration programs is \$1,875,000 of which \$625,000 from ITF proceeds is being requested. The remaining \$1,250,000 is being funded from the Regents' Research Scholars Program previously approved by the Board on

November 16, 2006. Earnings on U. T. System Administration's operating cash invested in the ITF are pooled and any realized gains on these investments are centrally controlled. The Board of Regents has broad statutory authority and discretion to control, invest, and budget institutional funds including earnings from those funds for any purpose that furthers the mission of the U. T. System Administration or the institutions.

This investment in the partnership between U. T. System and SNL will have a significant long-term return both with respect to strengthening the partnership and to multiplying external funding of the core research areas.

7. **U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 10501, regarding Delegation to Act on Behalf of the Board, to add Section 4.16 to increase the Board's contract approval threshold**

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 Regents' *Rules and Regulations*, Rule 10501, be amended to add Section 4.16 as set forth below in congressional style:

Sec. 3 Contracts or Agreements Requiring Board Approval. The following contracts or agreements, including purchase orders or vouchers, must be approved by the Board.

3.1 Contracts Exceeding \$1 Million. All contracts or agreements, with a cost or monetary value to the U. T. System or any of its institutions of more than \$1 million, unless exempted in Section 4 below.

...

Sec. 4 Contracts Not Requiring Board Approval. The following contracts or agreements, including purchase orders and vouchers, do not require prior approval by the Board of Regents regardless of the contract amount.

...

4.16 Increase in Board Approval Threshold. An institution's dollar threshold specified in Section 3.1 may be increased to up to \$5 million by the Vice Chancellor and General Counsel, after consultation with the General Counsel to the Board of Regents, if it is determined that the institution has the expertise to negotiate, review, and administer such contracts. Unless approved in advance by the Vice Chancellor and General Counsel, any increase will not apply to contracts or agreements designated as Special Procedure Contracts by the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

The University of Texas System Administration Policy UTS145, *Processing of Contracts*, currently sets U. T. System Office of General Counsel contract review thresholds for U. T. System institutions based on each institution's size, complexity, and legal staffing. Proposed Section 4.16 would extend the same philosophy to Board contract approval thresholds and would add needed flexibility to Rule 10501.

Proposed Section 4.16 would accommodate U. T. M. D. Anderson Cancer Center's pending request for an increase in its contract approval threshold from \$1 million to \$2.5 million. The request is based on the following information:

- a. U. T. M. D. Anderson Cancer Center currently employs 12 attorneys in its legal department and four attorneys in its compliance department, along with numerous experienced legal assistants. The attorneys processing, negotiating, and handling U. T. M. D. Anderson Cancer Center contracts have 10-20 years of experience and have been with U. T. M. D. Anderson Cancer Center for many years. These attorneys work closely with the institution's executive management and are generally involved in multiple aspects of the contracting process. They are well versed in U. T. System and Board requirements and expectations for contracts and business transactions.
- b. U. T. M. D. Anderson Cancer Center attorneys currently handle hundreds of contracts every year with values of less than \$1 million that do not require Board approval. There have been few, if any, problems with these agreements. U. T. M. D. Anderson Cancer Center is confident that these attorneys are also competent to process contracts with values up to \$2.5 million.
- c. U. T. M. D. Anderson Cancer Center typically docketed several contracts with values over \$1 million for approval at each Board meeting. Approximately 25%-40% of those docketed contracts have values over

\$1 million, but under \$2.5 million. U. T. M. D. Anderson Cancer Center estimates that raising the value of contracts requiring Board approval from \$1 million to \$2.5 million would decrease the number of U. T. M. D. Anderson Cancer Center contracts requiring Board approval by 25%-40% and would help expedite contract processing and assure timely completion of business transactions.

8. **U. T. System Board of Regents: Approval to amend Regents' Rules and Regulations, Rule 80103, regarding solicitation, to allow the marketing of products or services at specified events**

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 Regents' *Rules and Regulations*, Rule 80103, regarding solicitation, be amended to allow the marketing of products or services at specified events as set forth below in congressional style:

2.21 Athletic Events, Professional Entertainment Touring Events, or Cultural or Historical Festivals or Exhibitions.

(a) Delegation. A president may designate a reasonable number of areas in a reasonable proximity to the exterior of a facility used for intercollegiate athletic events, professional entertainment touring events, or occasional cultural or historical festivals or exhibitions, and may authorize such areas to be used for the display of motor-propelled vehicles and for the location of booths, tables, or kiosks to be used for the display of merchandise, the distribution of free samples of merchandise, and the display and distribution of printed material related to merchandise, products, or services. Such activities may be authorized only on the day before and the day or days of an intercollegiate athletic event, a professional entertainment touring event, a cultural or historical festival or exhibition, or an event that is related to athletics that takes place in the facility. The president may designate a reasonable number of areas inside a facility to be used for intercollegiate athletic events, professional entertainment touring events, or cultural or historical festivals or exhibitions for such activities if the safety officer of the institution approves the designation and use of the area. All persons engaged in or associated with such displays and distributions must conduct those activities in compliance with State law, the Regents' *Rules and Regulations*, and with other guidelines specified by the institution. Such persons may not make sales of or

take orders for such vehicles, merchandise, products, or services. The institution shall charge an appropriate fee for the privilege of using such areas. Persons or entities that violate State law, the Regents' *Rules and Regulations*, or the applicable guidelines of the institution while using designated areas under this provision shall not be permitted to engage in activities under this provision for a period of one (1) year from the date of the violation.

BACKGROUND INFORMATION

In general, "solicitation" is prohibited on or in any university property, including prohibiting the sale of merchandise or the display of merchandise designed to encourage its purchase or use. There are a number of exceptions to the general rule, including an exception for athletic events that allows an institutional president to designate a reasonable number of areas near and inside a facility used for intercollegiate athletic events to be used to display motor-propelled vehicles and to locate booths to display merchandise, distribute free samples of merchandise, and display printed material related to merchandise or services. These activities may occur only on the day before and the day of the event. The proposed amendment to Section 2.21 adds language that would provide the same exception for professional entertainment touring events and cultural or historical festivals or exhibitions.

9. **U. T. System Board of Regents: Adoption of Regents' *Rules and Regulations*, Rule 80112, regarding Residential Conference Centers**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Powers that the Board of Regents adopt new Regents' *Rules and Regulations*, Rule 80112, regarding Residential Conference Centers as follows:

1. Title

Residential Conference Centers

2. Rule and Regulation

Sec. 1 Designation. The president of an institution may designate rules for a Residential Conference Center that includes rooms for overnight residential guests, rooms for conferences, banquets, and meetings, catering services, and conference and related programming services. The president shall cause

to be prepared and submitted for approval, as a part of the *Handbook of Operating Procedures* of the institution, appropriate rules and regulations for the reservation and use of a Residential Conference Center.

- Sec. 2 Rules for Use. The rules and regulations must restrict the reservation and use of such facilities in accordance with the following:
- 2.1 Designation as a Residential Conference Center shall not constitute the facility as a public facility or forum that is open to use by individuals, groups, associations, or corporations on a first-come, first-served basis.
 - 2.2 Priority in the reservation and use of facilities within a Residential Conference Center shall be given to programs and activities of the U. T. System or any of its institutions that are in furtherance of and related to the academic, educational, cultural, outreach, recreational, and athletic programs of the U. T. System or any of its institutions.
 - 2.3 As a lower priority, the rules and regulations may provide for reservation and use of facilities within a Residential Conference Center by individuals, groups, associations, or corporations without the necessity of joint sponsorship by the U. T. System or any of its institutions and within accepted industry standards and the needs of the institution. Subject to all constitutional and statutory provisions relating to the use of State property or funds for religious or political purposes, facilities within a Residential Conference Center may be made available for religious and political conferences, debates, or conventions. A Residential Conference Center may be used for purposes such as banquets or conferences by entities that use annual conferences or other similar activities to acquire operational funds for the entities. Rates for such use must be charged that, at a minimum, ensure recovery of that part of the operating cost of the Center attributable directly or indirectly to such use; provided, however, that the manager of the facility may grant complimentary rooms or food as is ordinary and customary in the operation of similar facilities for promotional or customer-relations purposes if it is reasonably necessary for the operation of the facility.
 - 2.4 The rules and regulations applicable to a Residential Conference Center may provide for the rental of space for display of advertising and the display of samples of merchandise in designated areas inside the Residential Conference Center that have been approved by the president of the institution or his or her delegate, and for advertising by displays on a message center inside the Center or on the Center's outdoor electronic marquee, message center, or other signage. A Conference Center retail store operation for goods related to conferences or guest services as well as sales of books, other

educational products, software, or related products within the Conference Center shall be allowed and considered within Section 2.5 of Rule 80103, Solicitation.

BACKGROUND INFORMATION

U. T. Austin will open the AT&T Executive Education and Conference Center in August 2008. The Center will have 297 overnight residential rooms, one ballroom, 22 meeting rooms, 11 classrooms, and one auditorium. The Center will be used extensively by units of the University, especially the McCombs School of Business. There will be occasions when the Center will be available for conferences and meetings by other groups that have an association with the University and/or higher education, the greater Austin community, and others as appropriate. This new Rule authorizes U. T. Austin (and any other U. T. System institution that may establish a residential conference center in the future) to promulgate rules for such uses. This Rule specifies parameters for use that are similar to those for Special Use Facilities (Rule 80106) but eliminates some of the restrictions on certain philanthropic activities and on professional educational, research, or related organizations that use annual conferences or other similar activities to acquire operational funds.

10. U. T. System Board of Regents: Discussion of The University of Texas Investment Management Company (UTIMCO) Code of Ethics

PURPOSE

Mr. Bruce Zimmerman, CEO and CIO of The University of Texas Investment Management Company (UTIMCO), will discuss proposed changes related to the UTIMCO Code of Ethics. These changes were discussed at UTIMCO's Audit & Ethics Committee meeting on April 15, 2008, and the UTIMCO Board of Directors meeting on April 25, 2008.

The most significant potential change relates to revising the UTIMCO Code of Ethics to permit UTIMCO Directors to invest in the same Private Investments as UTIMCO. Pecuniary interest prohibitions would remain in place and Directors' investments would be disclosed. No favorable terms would be available to Directors. In the event an investment came to the UTIMCO Board of Directors for approval, the co-invested Directors would recuse themselves from discussion and vote on the investment decision.

The current Code of Ethics was reviewed by the UTIMCO Board in May 2006 and approved by the U. T. System Board of Regents on July 13, 2006.

No action is proposed at this time.



TABLE OF CONTENTS FOR AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 5/14/2008
Tyler, Texas

*Paul Foster, Chairman
Janiece Longoria
Colleen McHugh
Robert B. Rowling*

	Committee Meeting	Page
A. CONVENE	<i>4:30 p.m. Chairman Foster</i>	
1. U. T. System: Discussion of Governmental Accounting Standards Board 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions	<i>4:30 p.m. Discussion Mr. Wallace Mr. Phil Dial, Rudd & Wisdom</i>	9
2. U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Tyler	<i>4:50 p.m. Report Mr. Chaffin Ms. Kathy Kapka, U. T. Tyler</i>	10
3. U. T. Tyler: Report on the Institutional Compliance Program	<i>4:58 p.m. Report Ms. Mary Barr, U. T. Tyler</i>	14
4. U. T. Dallas: Report on the Institutional Compliance Program	<i>5:02 p.m. Report Ms. Toni Messer, U. T. Dallas</i>	14
5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security	<i>5:06 p.m. Report Mr. Watkins Mr. Chaffin</i>	14

B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551

Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions

5:16 p.m.

Discussion

*Ms. Kathy Kapka
and Ms. Mary
Barr, U. T. Tyler
Ms. Toni Messer,
U. T. Dallas*

C. ADJOURN

5:30 p.m.

1. **U. T. System: Discussion of Governmental Accounting Standards Board 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions**

PURPOSE

Associate Vice Chancellor Wallace will discuss Other Post Employment Benefits (OPEB) and reporting required by Governmental Accounting Standards Board (GASB) Statement 45, effective for Fiscal Year 2008, and the effect it will have on the financial statements. Mr. Phil Dial, with the actuarial firm Rudd & Wisdom, Inc., will also attend to discuss the actuarial valuation and assumptions used in calculating U. T. System's OPEB liability.

BACKGROUND INFORMATION

The University of Texas System provides basic life insurance and health benefits for retirees and health benefits for dependents of retirees. These benefits are considered to be "post employment benefits other than pension plans," generally referred to as OPEB. Like most governmental entities in the U.S., U. T. System pays for OPEB in the year in which the benefits are used by the retirees. Financial reporting and accounting standards adopted by GASB require all governmental entities to change the manner in which they report and account for the cost of OPEB. As required by GASB 45, governmental entities that provide OPEB must account for the cost of those benefits in a manner similar to that used in accounting for the cost of retirement benefits. Since these benefits have been funded historically on a pay-as-you-go basis, the unfunded liability will be large.

GASB 45 does not require that the cost of OPEB be funded any differently than it has been in the past; rather the standards provide rules on the manner in which the cost of such benefits is recognized in financial statements. However, the accumulated deficit between the cost required to be recognized under GASB 45 and the amount actually funded must be reported as a liability on the governmental entity's financial statements. GASB 45 requires that periodic actuarial valuations similar to those performed for a retirement plan be prepared for OPEB quantifying the costs and the unfunded liability associated with those benefits.

The 80th Texas Legislature passed House Bill 2365, codified as *Texas Government Code*, Chapter 2264 that provided an alternative to reporting the liability on the face of the financial statements by creating a statutorily modified accrual basis of accounting for Texas. The legislation states that to the extent Generally Accepted Accounting Principles requires reporting of OPEB on any basis other than pay-as-you-go, the state may account for OPEB in accordance with the approved legislation.

The estimated liability and a recommendation that U. T. System reflect the OPEB liability in the financial statements in accordance with GASB 45 will be discussed.

2. **U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Tyler**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the status of the Student Health Center audits conducted at the U. T. System institutions, present the plan to audit Faculty Practice Plans at the health institutions, and discuss external quality assurance reviews.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The second quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 11 – 12. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the System-wide Audit Program and the annual internal audit plan status as of February 29, 2008, follows on Page 13.

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

Ms. Kathy Kapka, Director of Audit Services at U. T. Tyler, will then present an overview of the Internal Audit Department at U. T. Tyler.

Supplemental Materials: U. T. Tyler PowerPoint presentation on Pages 52 – 54 of Volume 2.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	1st Quarter 2008		2nd Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General IT Controls – Planning and Organization		1		1	8/31/2008	Satisfactory
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	7/15/2008	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		3	8/31/2008	Satisfactory
2008-01	UTARL	Systems Security Audit				2	8/31/2008	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	8/31/2008	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2008	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	6/1/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	3/31/2009	Satisfactory
2004-10	UTB	Physical Plant		2		0	2/28/2008	Implemented
2007-11	UTB	Contracts & Grants – Unallowable Costs & Reporting Requirements Monitoring Plans		1		0	2/28/2008	Implemented
2007-01	UTD	Annual Financial Report Audit		1		1	4/30/2008	Satisfactory
2005-05	UTEP	Office of the Registrar		1		0	2/26/2008	Implemented
2007-02	UTEP	Campus-wide Information Technology Applications		5		5	8/31/2008	Satisfactory
2007-11	UTEP	Decentralized Server Security		8		8	8/31/2008	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers				2	6/30/2008	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2008	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	9/1/2008	Satisfactory
2007-09	UTSA	Texas Administrative Code 202 Compliance		1		0	3/1/2008	Implemented
2006-05	UTSMC - Dallas	Accounts Payable		1		1	5/31/2008	Satisfactory
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	4/15/2008	Satisfactory
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		1		0	2/29/2008	Implemented
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Medical School Charge Capture Processes		1		0	2/29/2008	Implemented
2007-05	UTHSC - Houston	Security of Credit Card Data		2		1	8/31/2008	Satisfactory
2007-11	UTHSC - Houston	Protection of Social Security Numbers		2		1	5/1/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	4/30/2008	Satisfactory
2007-06	UTHSC - San Antonio	Protection of Digital Research Data		2		0	3/27/2008	Implemented
2007-08	UTHSC - San Antonio	Central Computing Facility				2	5/30/2008	Satisfactory
2007-09	UTHSC - San Antonio	Research Compliance Program				1	10/31/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		2		2	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		5	8/31/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	11/28/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		2		2	Date Pending	Satisfactory
2005-04	UTHSC - Tyler	Texas Administrative Code 202 Compliance		1		1	5/31/2008	Satisfactory
2006-06	UTHSC - Tyler	Review of the Office of the President's Travel & Entertainment		1		0	2/28/2008	Implemented
2005-12	UTSYS ADM	System-wide Financial Audit		1		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		2		1	8/31/2008	Satisfactory
Totals				59		53		

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	1st Quarter 2008		2nd Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		

STATE AUDITOR'S OFFICE AUDITS

2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		2		1	8/31/2008	Satisfactory
2006-02	UTTY	2006 Single Audit-Financial Aid Cluster		1		0	5/31/2008	Implemented
2006-02	UTMB - Galveston	Federal Portion of Statewide Single Audit FY 2005		1		0	12/31/2007	Implemented
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		0	1/25/2008	Implemented
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		0	4/30/2008	Implemented
2002-11	UTMDACC - Houston	Security Over Protected Health Information		1		0	8/31/2010	Implemented
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory
Totals				9		2		

Color Legend:

- Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.
- Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- Significant finding for which substantial progress towards implementation was made during the quarter.
- Significant finding was appropriately implemented during the quarter and will no longer be tracked.

Note: **Implemented** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
Satisfactory - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
Unsatisfactory - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.

12

**U. T. System-wide FY 2008 Annual Internal Audit Plan Status
(as of February 29, 2008)**

	UT System Requested	Externally Required	Risk Based	Change in Management	Follow-up	Projects	Total Actual Hours (Note 1)	Total Priority Budget Hours (Note 2)	Variance (Hours)	Percentage Completion
Large Institutions:										
U. T. Austin	1,343	1,028	1,715	874	301	2,516	7,777	14,700	6,923	53%
U. T. Southwestern	2,590	809	3,295	832	258	1,325	9,109	15,040	5,932	61%
U. T. Medical Branch at Galveston	631	805	2,606	750	25	523	5,340	11,810	6,470	45%
U. T. HSC - Houston	1,854	496	1,210	440	162	938	5,098	7,712	2,614	66%
U. T. HSC - San Antonio	1,376	913	568	-	178	1,233	4,268	7,240	2,972	59%
U. T. MDA Cancer Center	1,092	255	5,300	-	363	773	7,783	14,375	6,592	54%
Subtotal	8,886	4,306	14,693	2,895	1,287	7,308	39,375	70,877	31,503	56%
Mid-size Institutions:										
U. T. Arlington	1,346	1,010	513	5	334	680	3,887	6,070	2,183	64%
U. T. Brownsville	761	219	73	178	308	581	2,119	4,450	2,331	48%
U. T. Dallas	805	338	1,406	144	1	162	2,855	4,670	1,815	61%
U. T. El Paso	238	509	1,553	352	87	1,021	3,760	8,274	4,515	45%
U. T. Pan American	836	614	541	253	24	304	2,572	4,780	2,208	54%
U. T. San Antonio	1,437	678	381	-	133	714	3,342	6,586	3,244	51%
Subtotal	5,423	3,368	4,466	932	886	3,461	18,535	34,830	16,295	53%
Small Institutions:										
U. T. Permian Basin	233	-	-	684	-	23	940	1,302	362	72%
U. T. Tyler	429	-	549	219	24	126	1,347	2,587	1,240	52%
U. T. HC at Tyler	928	523	-	61	171	425	2,108	3,480	1,372	61%
Subtotal	1,590	523	549	964	195	574	4,395	7,369	2,974	60%
TOTAL	15,898	8,197	19,709	4,791	2,368	11,343	62,305	113,076	50,772	55%
Percentage of Total	26%	13%	32%	8%	4%	18%	100%			

NOTE 1:

"Total Actual Hours" are total actual hours for the six months from 9/1/06 through 2/29/08, which represents approximately 50% of the audit plan year.

NOTE 2:

"Total Priority Budget Hours" reflect budgeted hours approved by ACMR for priority projects. These hours are approximately 80% of total budget hours.

3. **U. T. Tyler: Report on the institutional compliance program**

REPORT

Ms. Mary Barr, Director of Compliance at U. T. Tyler, will present an overview of the institutional compliance program at U. T. Tyler.

Supplemental Materials: PowerPoint presentation on Pages 55 – 59 of Volume 2.

4. **U. T. Dallas: Report on the institutional compliance program**

REPORT

Ms. Toni Messer, Director of Audit and Compliance at U. T. Dallas, will present an overview of the institutional compliance program at U. T. Dallas.

Supplemental Materials: PowerPoint presentation on Pages 60 – 64 of Volume 2.

5. **U. T. System: Report on System-wide institutional compliance activities, including System-wide information security**

REPORT

Mr. Lewis Watkins, Chief Information Security Officer, will report on progress of the System-wide information security program. This report will include an overview of the recently issued Information Security Bulletin #2 (Baseline Standard for Information Security Programs), which outlines institutional information security program requirements. Mr. Watkins will also report on progress made on three System-wide security initiatives, including the launch of an online information security training program targeting decentralized information technology (IT) employees charged with security responsibilities, the launch of an IT risk assessment tool for all U. T. System institutions, and the evaluation of computer configuration management software to be made available for institutional use.

Mr. Charles Chaffin, Chief Audit Executive, will brief the Audit, Compliance, and Management Review Committee on the second quarter report of the System-wide Compliance Program. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee on a quarterly basis. The last activity reports were sent on April 25, 2008.

Supplemental Materials:

- **Information Security Bulletin #2 on Pages 65 – 66 of Volume 2.**
- **Second quarter report of the System-wide Compliance Program on Pages 67 – 70 of Volume 2.**



TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 5/15/2008

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

Board Meeting: 5/15/2008
Tyler, Texas

	Committee Meeting	Board Meeting	Page
Convene	9:00 a.m. <i>Chairman Rowling</i>		
1. U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 134</i>	9:00 a.m. Discussion <i>Dr. Kelley</i>	Action	16
2. U. T. System: Key Financial Indicators Report and Monthly Financial Report	9:05 a.m. Report <i>Dr. Kelley</i>	Not on Agenda	16
3. U. T. System: Overview of U. T. System debt programs	9:10 a.m. Report <i>Mr. Aldridge</i>	Not on Agenda	25
4. U. T. System: Results of standardization of banking services for U. T. System institutions	9:20 a.m. Report <i>Dr. Kelley</i>	Not on Agenda	25
5. U. T. System: Discussion concerning new Capital Expenditure Policy and authorization to make conforming changes to the Regents' <i>Rules and Regulations</i>, Rules 80301, 80303, 80402, and 80404	9:25 a.m. Action <i>Dr. Kelley</i>	Action	26
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	9:35 a.m. Report <i>Mr. Zimmerman</i>	Report	61
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	9:40 a.m. Action <i>Mr. Zimmerman</i>	Action	67

	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 <i>Dr. Kelley</i>	Action	71
9. U. T. System: Approval to acquire Oracle Corporation site license	9:50 a.m. Action <i>Dr. Kelley</i>	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



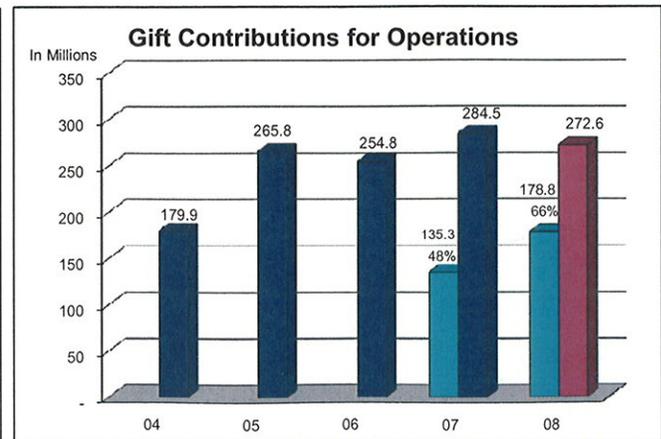
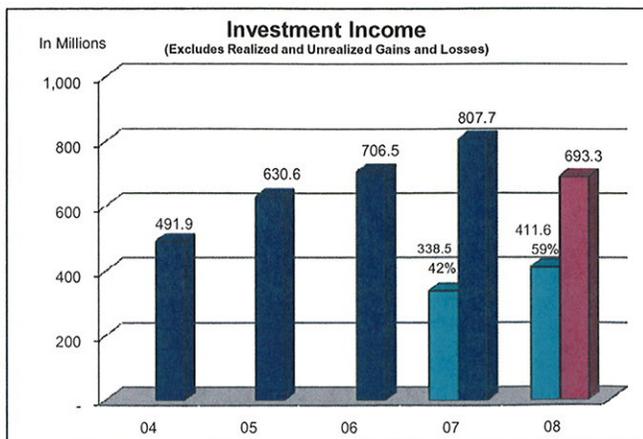
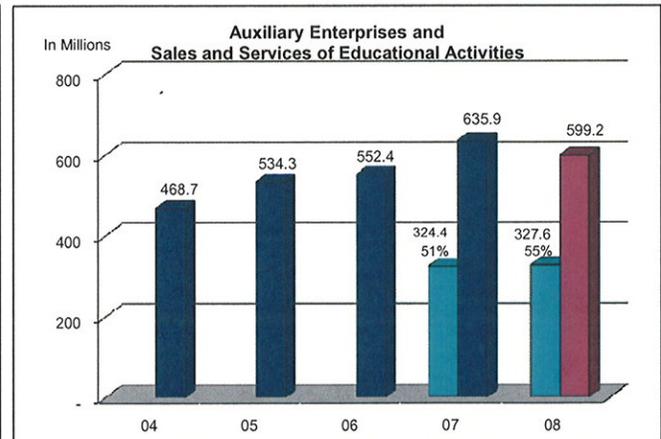
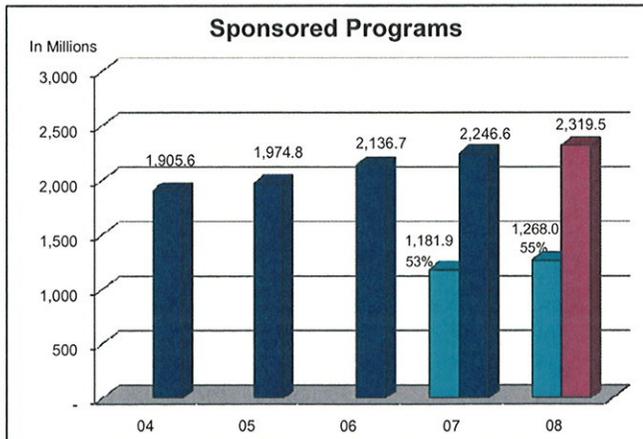
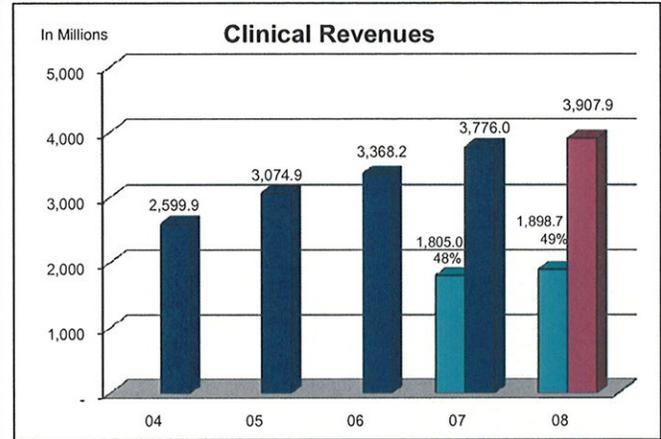
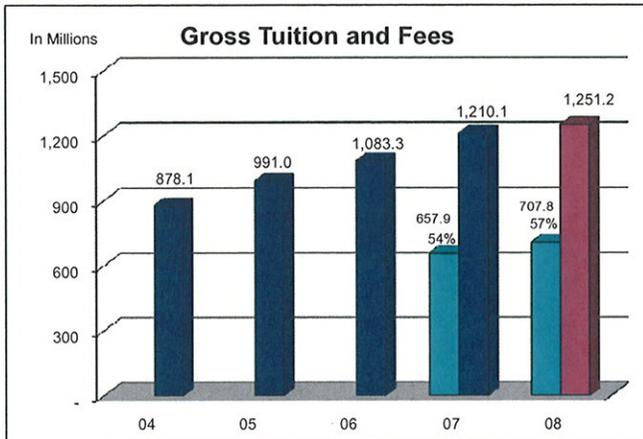
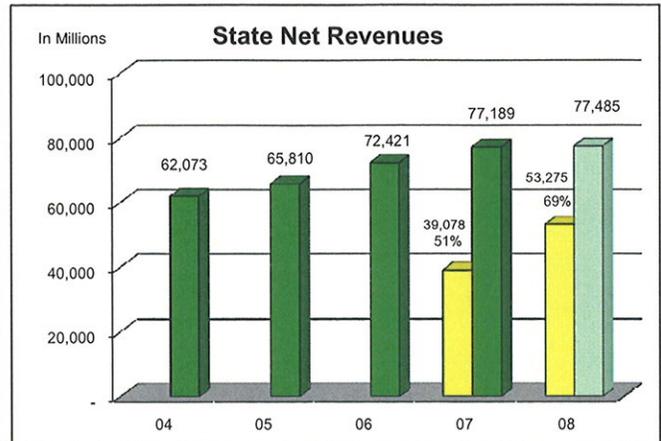
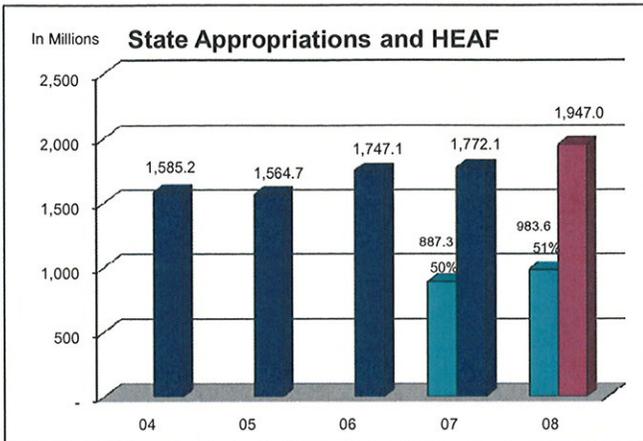
KEY FINANCIAL INDICATORS REPORT

2ND QUARTER FY 2008

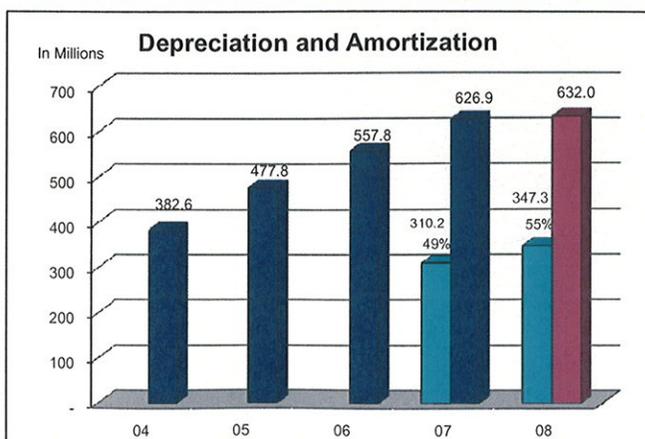
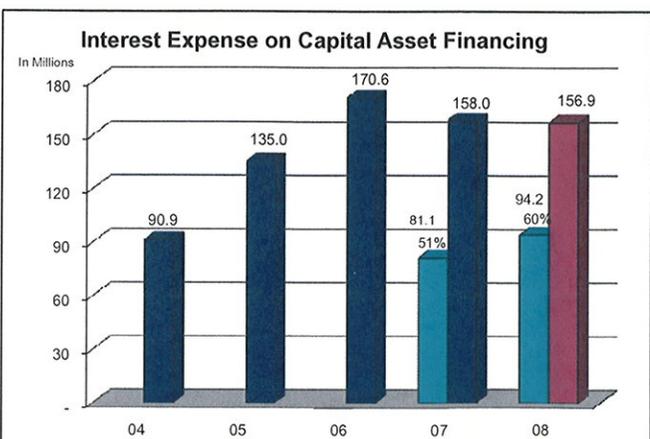
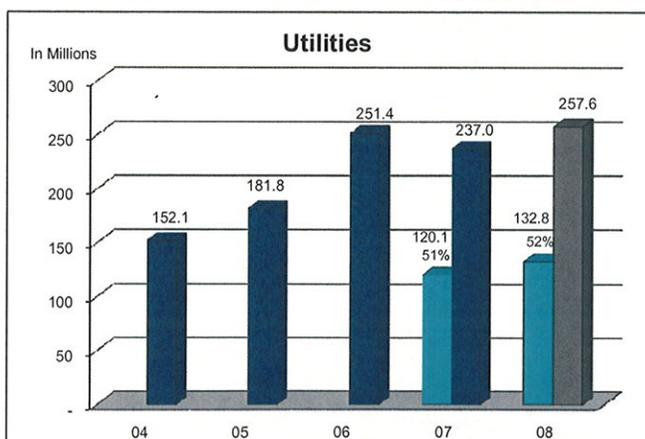
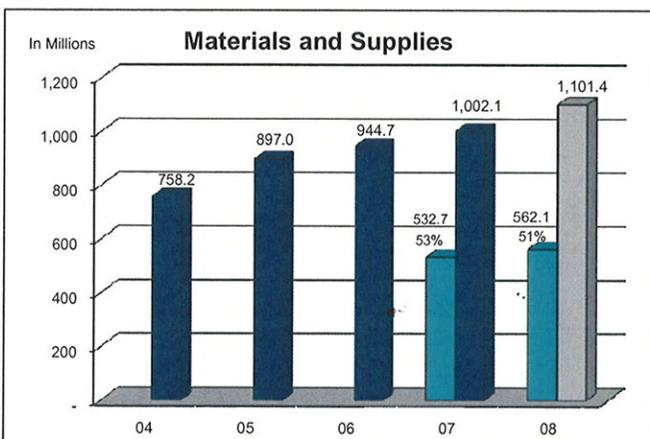
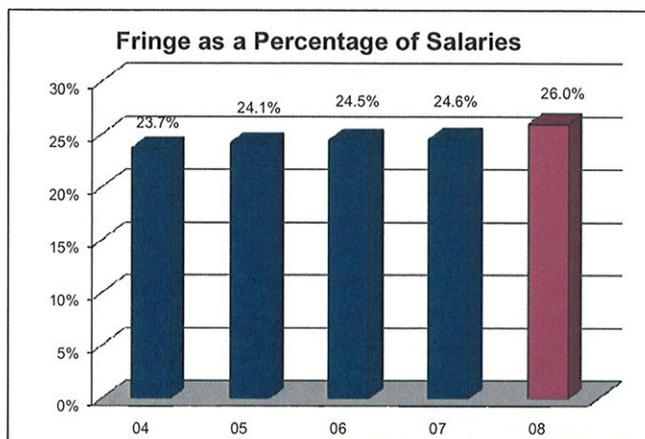
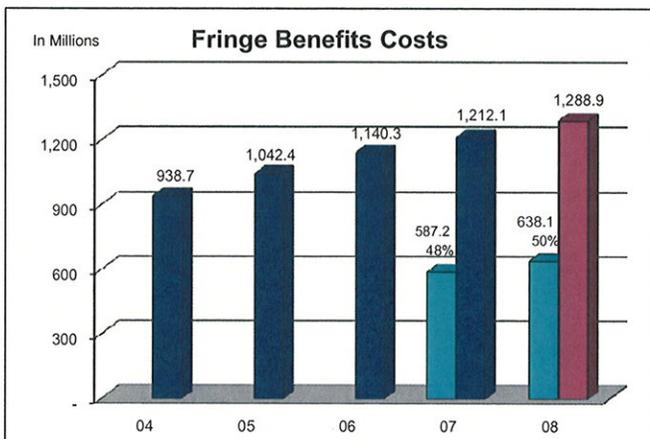
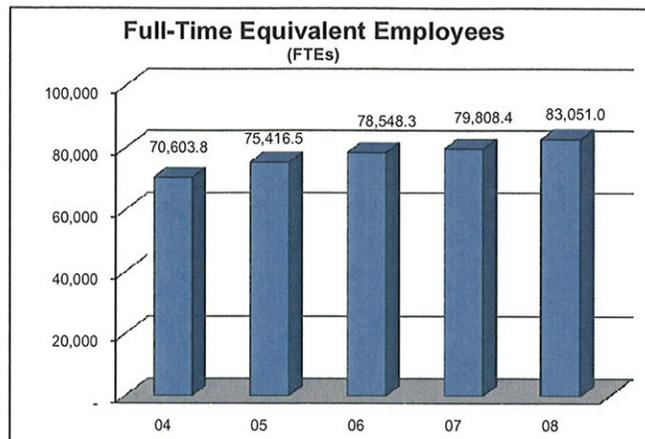
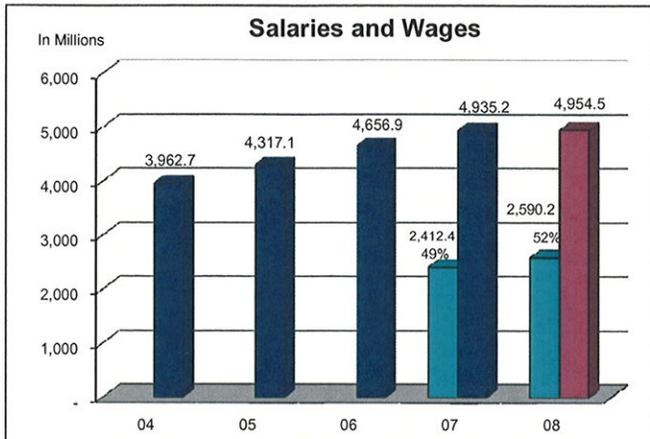
KEY

-  **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%)**

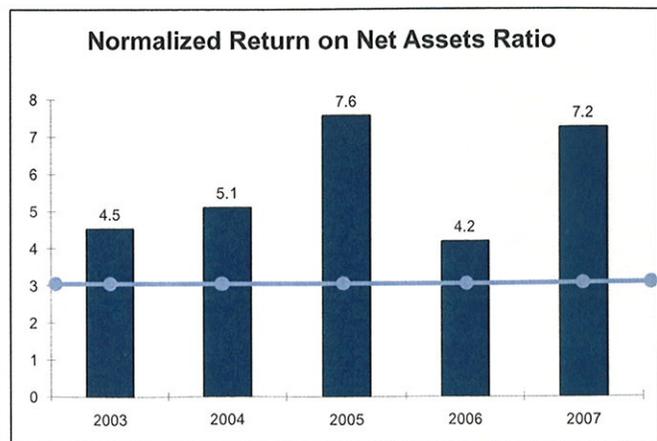
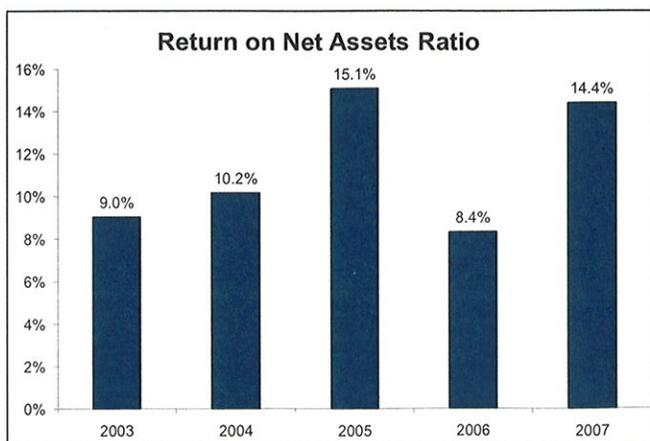
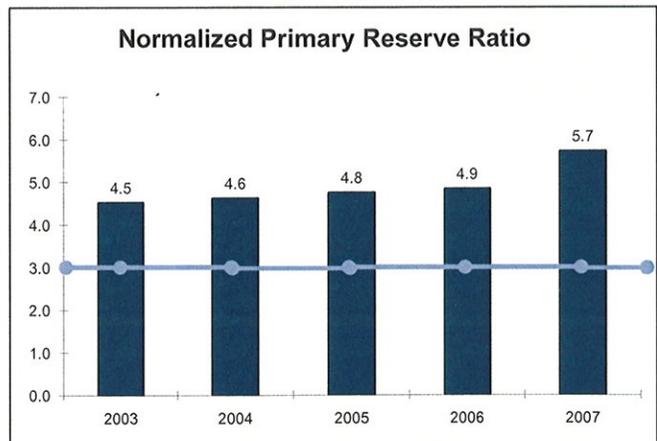
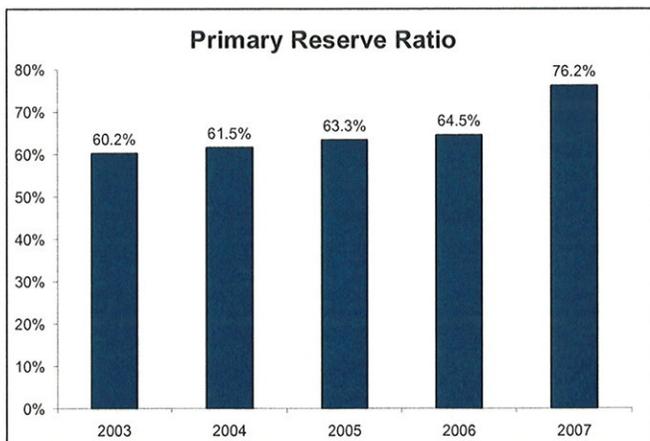
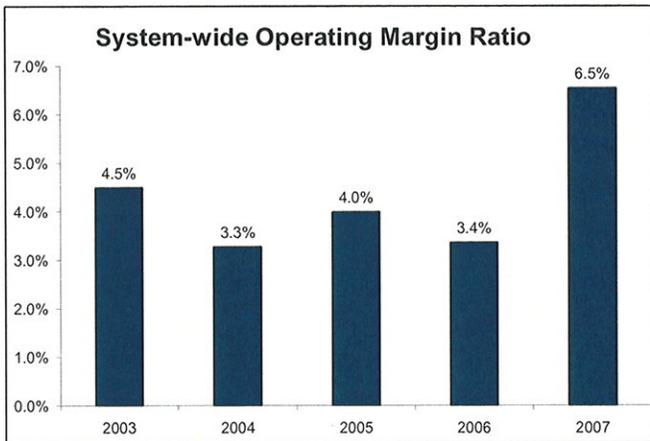
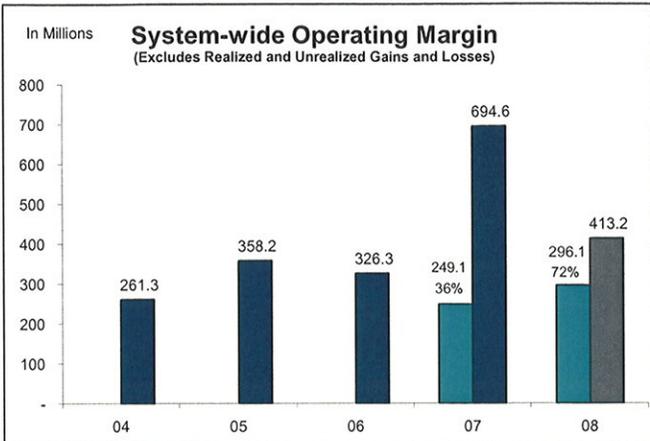
KEY INDICATORS OF REVENUES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT



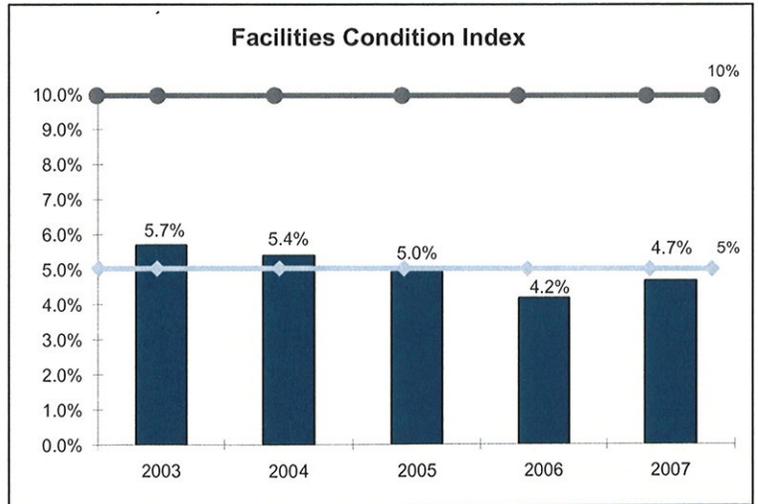
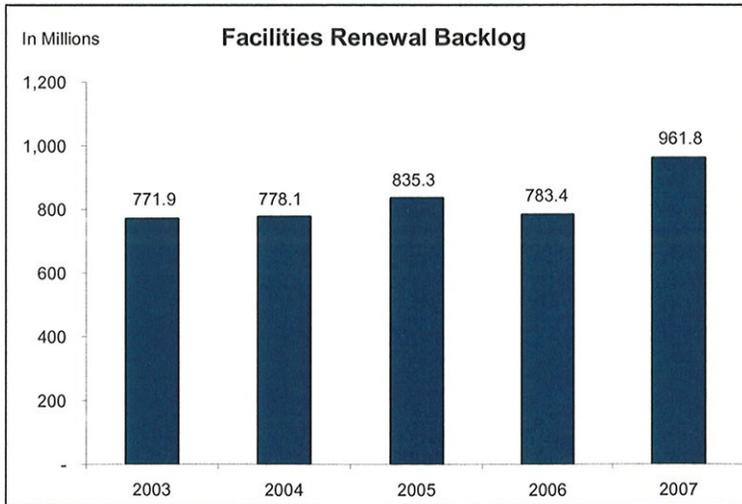
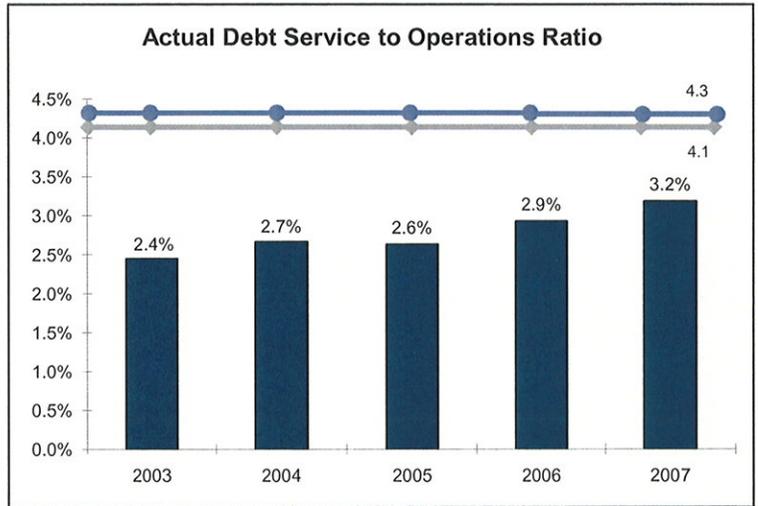
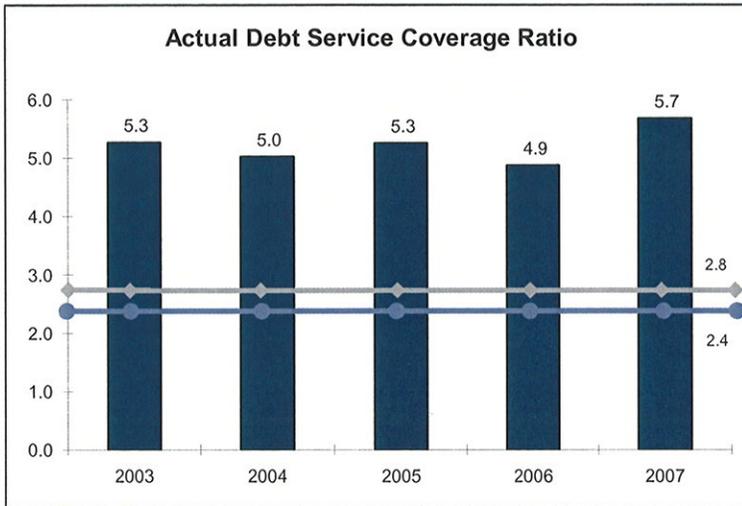
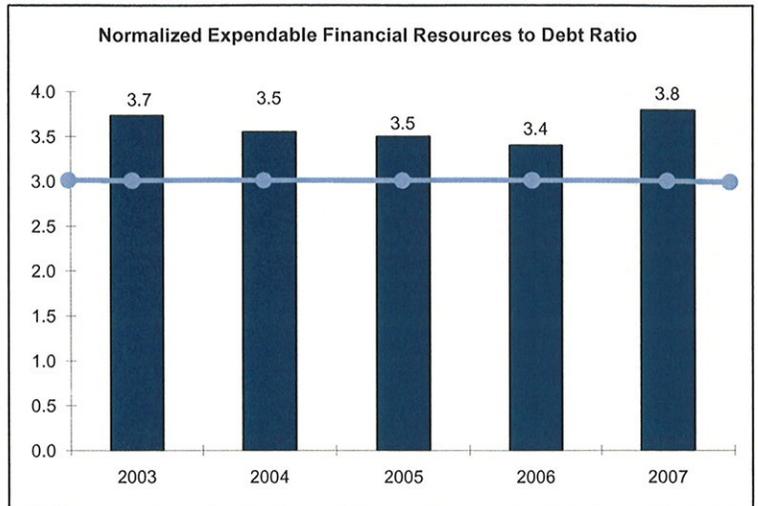
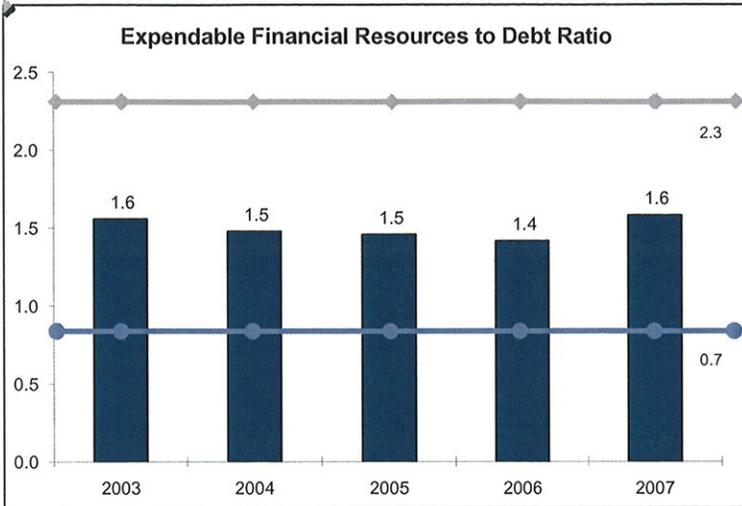
KEY INDICATORS OF EXPENSES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT



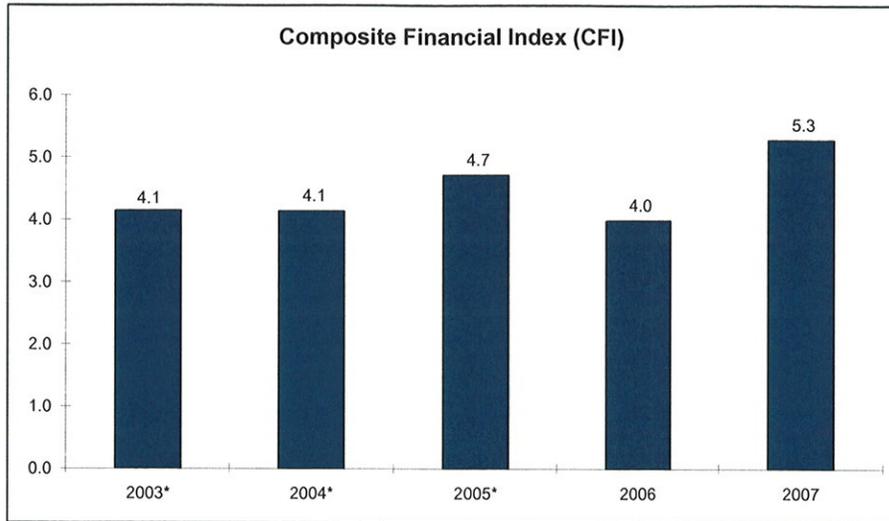
KEY INDICATORS OF RESERVES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM FEBRUARY MONTHLY FINANCIAL REPORT



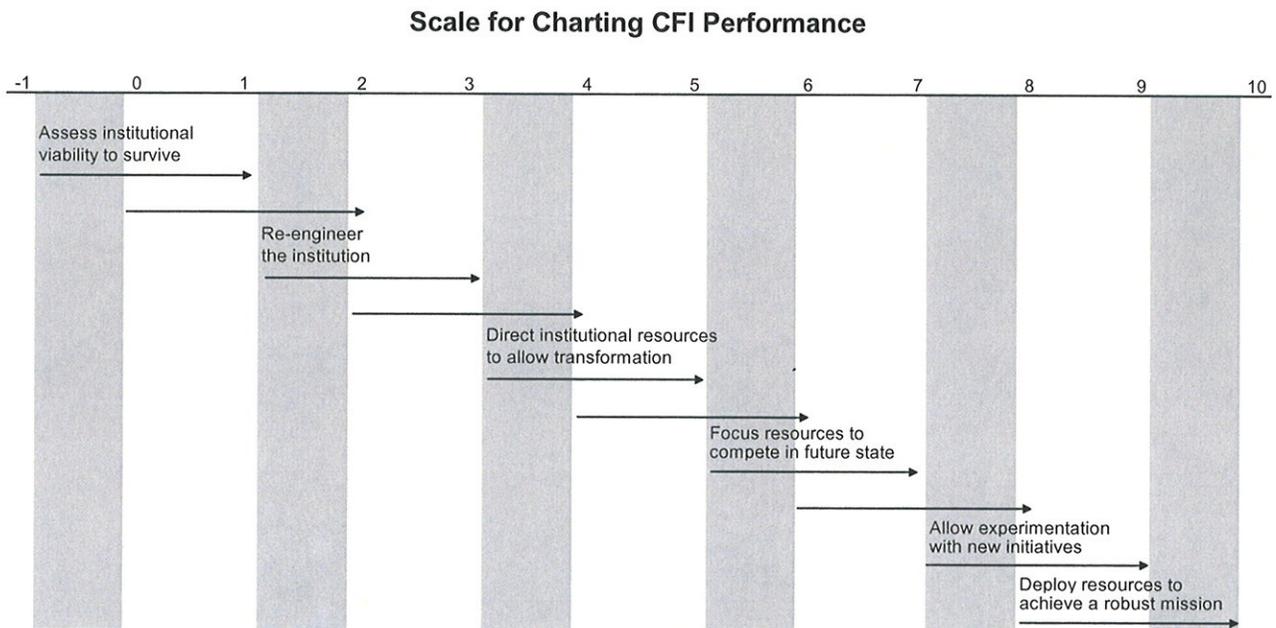
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2003 THROUGH 2007



KEY INDICATORS OF FINANCIAL HEALTH 2003 THROUGH 2007



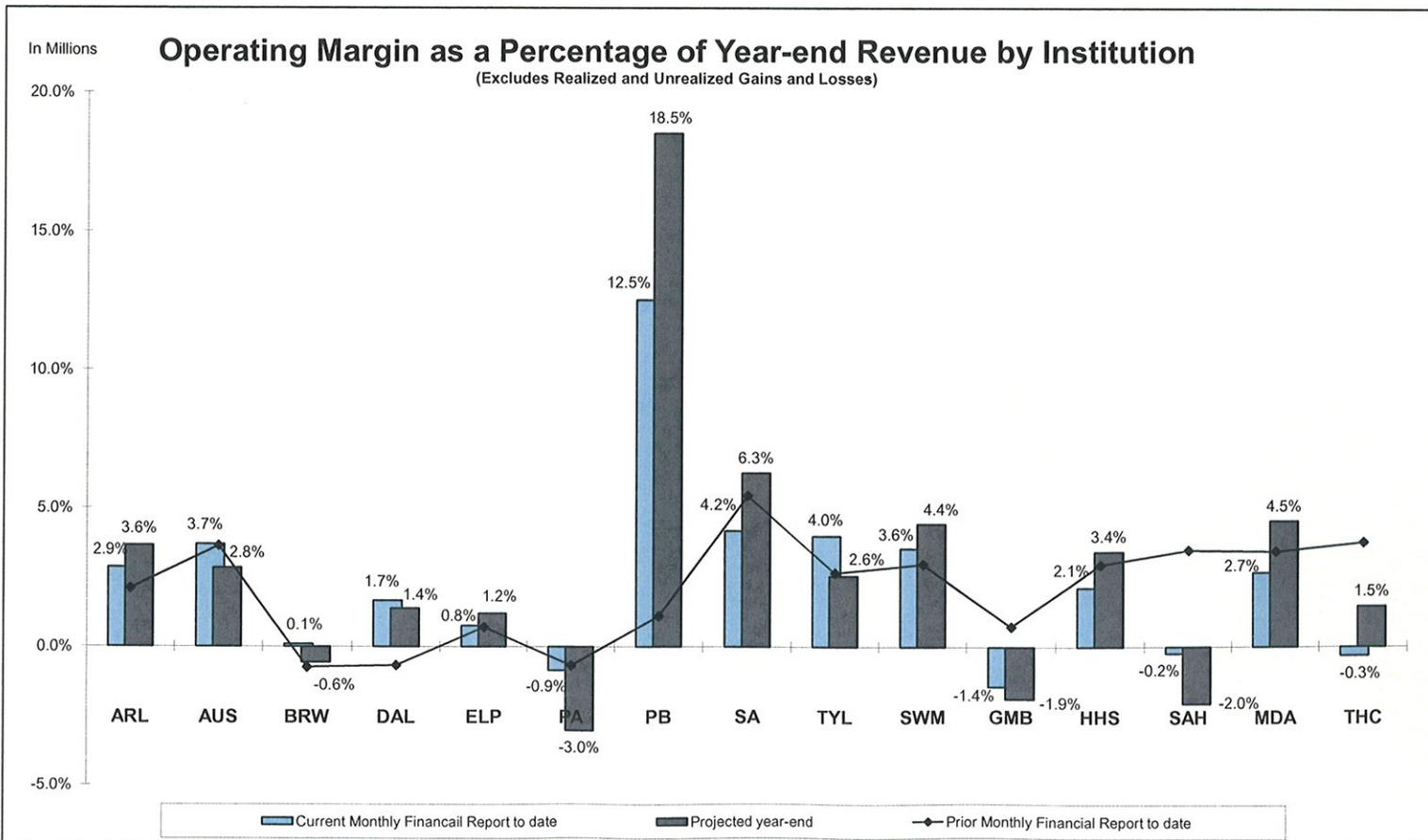
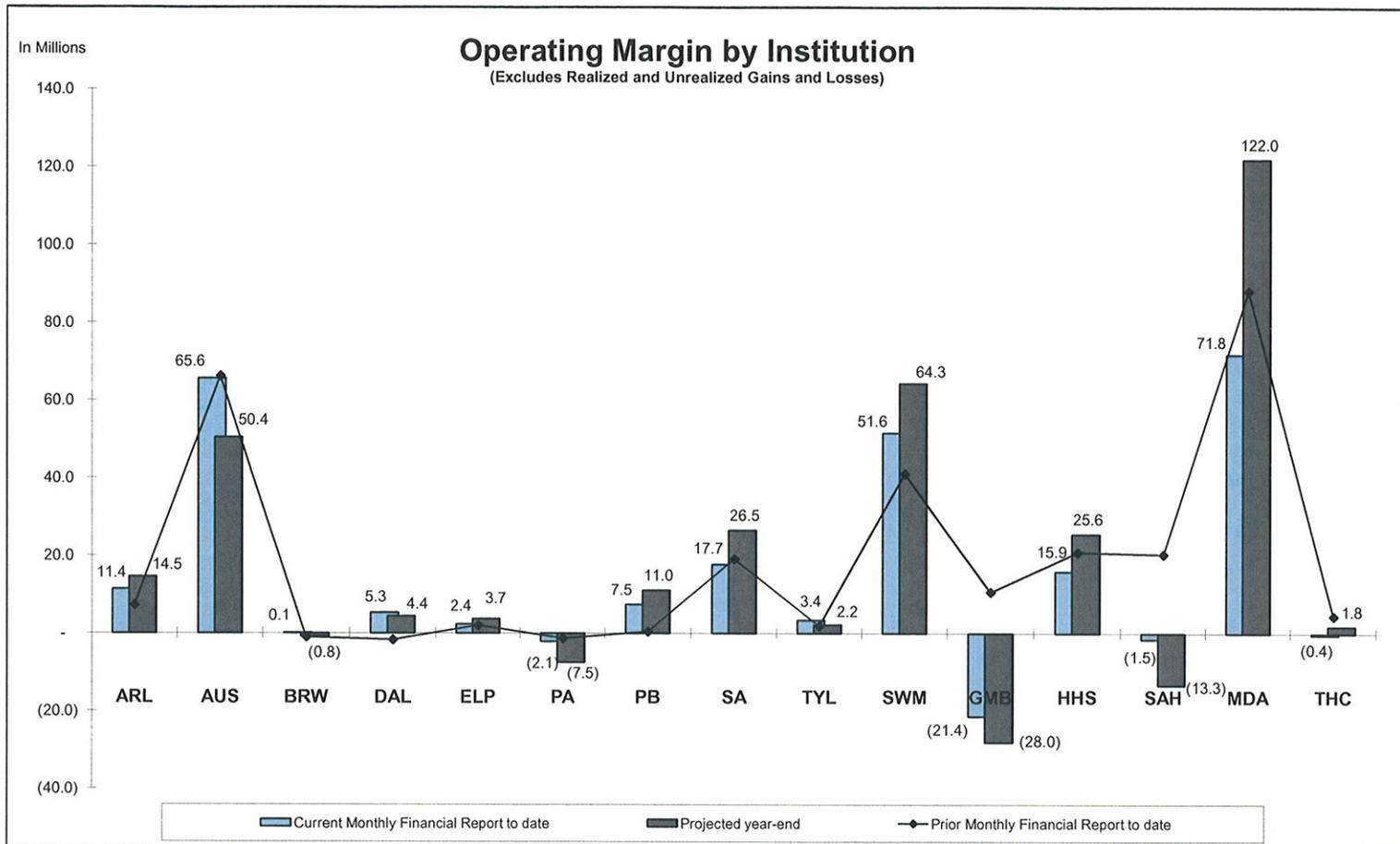
*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit



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

Rationale

Scope

Website Address For This Policy

Related Statutes, Policies, Requirements Or Standards

Contacts

Definitions

Responsibilities

Procedures

Forms and Tools/Online Processes

Appendix

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 ### <i>Regents' Rules</i> 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.

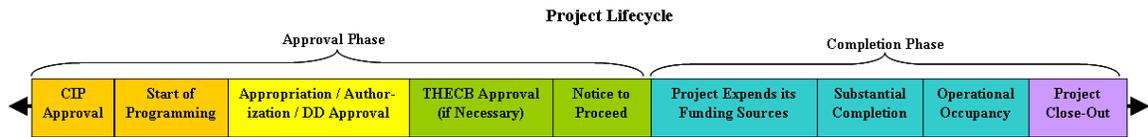
Office of Finance. The Office of Finance is responsible for reviewing PPFs if the Project includes any debt or gift funding, assisting institutions in building pro formas or updating six-year forecasts, providing finding of fact language for agenda items, and managing IRS arbitrage spendout compliance.

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.

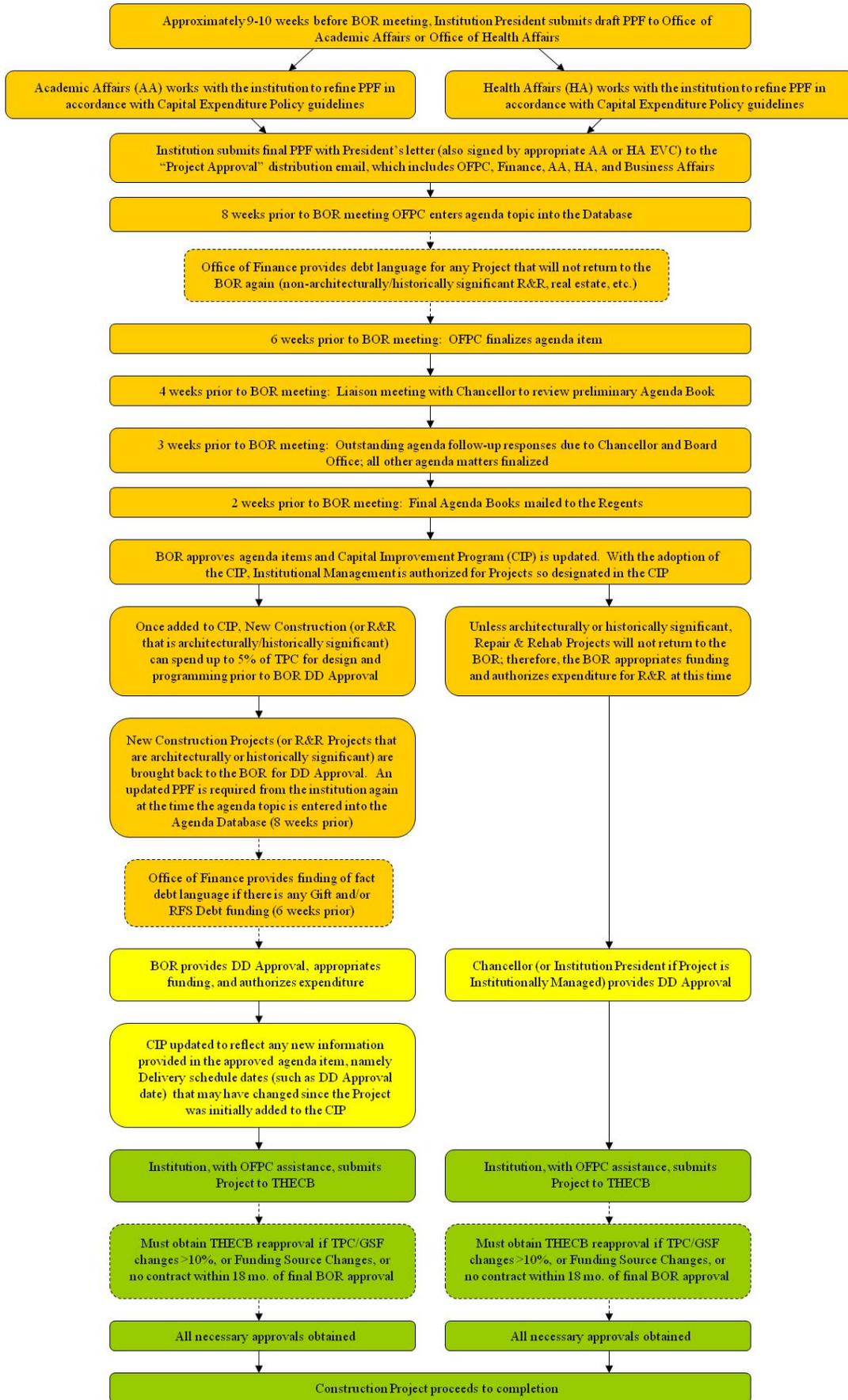
Office of the Controller. The Office of the Controller organizes and manages the request-for-LERR process.

PROCEDURES

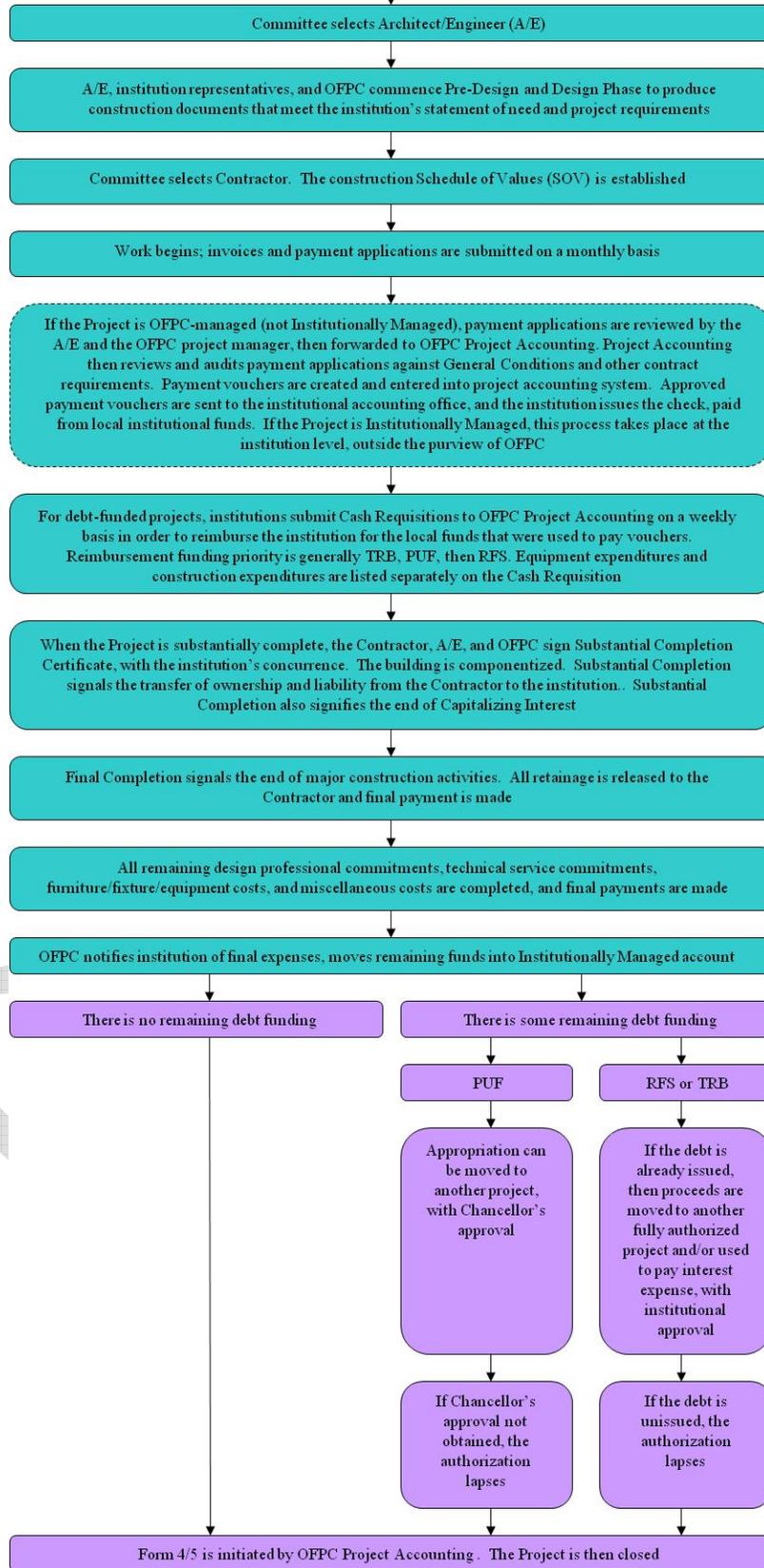
Project Lifecycle. There are two main phases in every Project’s Lifecycle: Approval Phase and Completion Phase. Compliance with this Policy requires compliance with the various stages of the Project Lifecycle (click here to see complete flowchart):



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 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:		DELIVERY DATES:	
Today's Date:	Jan-00	Added to the CIP:	Select...
Desired BOR Meeting Date:	Select... Select...	Start Facilities Programming:	Jan-00
Desired BOR Action(s):	Select... Select... Select... Select... Select...	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...
OPFC 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:			PROJECTED EXPENDITURE TIMELINE*					
Funding Source	Current (\$)	Proposed (\$)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Select...	-	-	-	-	-	-	-	-
Select...	-	-	-	-	-	-	-	-
Select...	-	-	-	-	-	-	-	-
Select...	-	-	-	-	-	-	-	-
Select...	-	-	-	-	-	-	-	-
Total Project Cost:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*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...			

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

Select...
\$ -

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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DRAFT

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 these 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. ~~113~~ 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 these 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 40% 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 these 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)							
		<u>Short Term</u>		<u>Year to Date</u>		<u>Historic Returns</u>			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
ENDOWMENT FUNDS									
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.

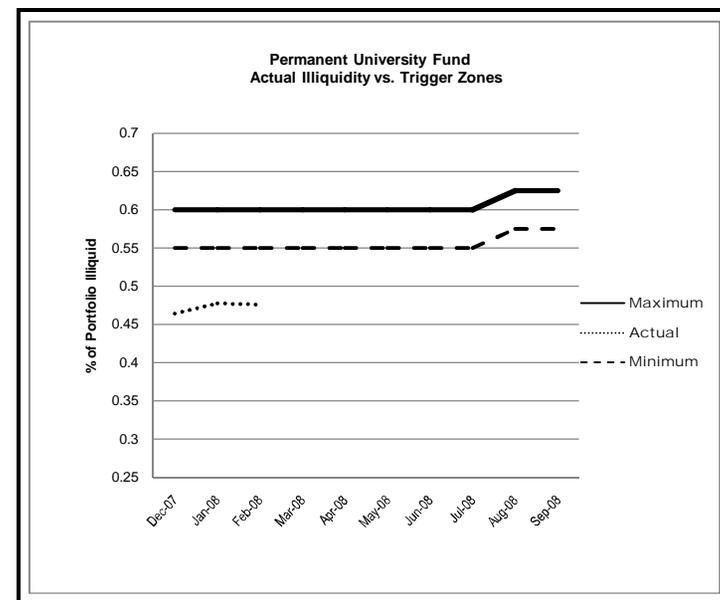
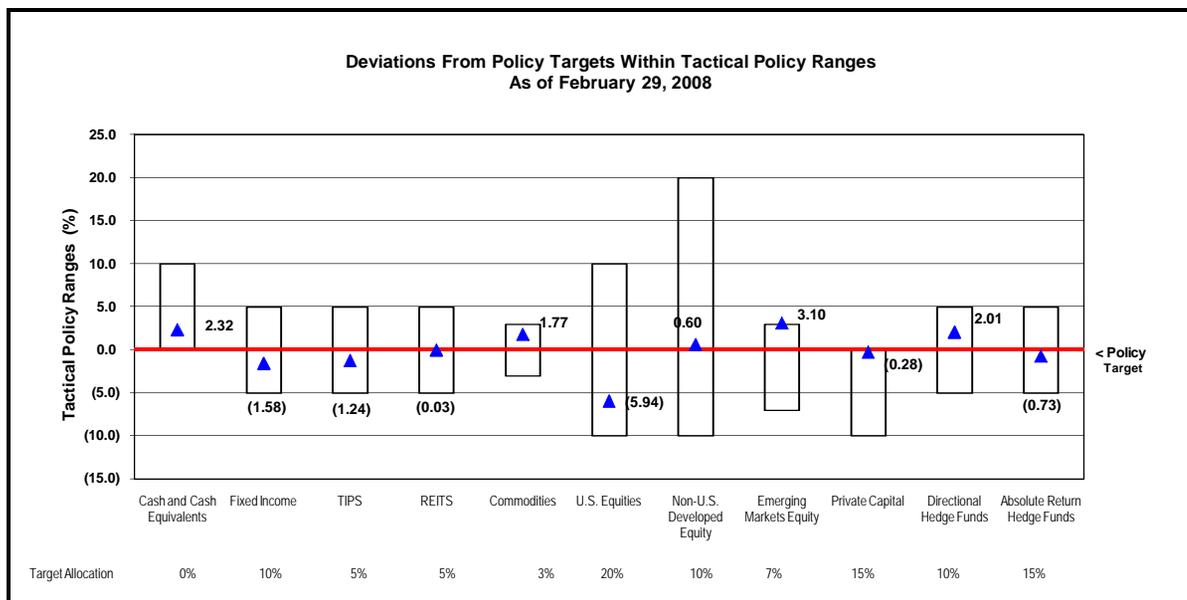
I. PERMANENT UNIVERSITY FUND Investment Reports for Periods Ended February 29, 2008

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

<u>Summary of Capital Flows</u>			
(\$ 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	<u>\$ 11,742.8</u>	<u>\$ 11,905.8</u>	<u>\$ 11,905.8</u>

	Returns		Fiscal Year to Date		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Value Added 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%

63



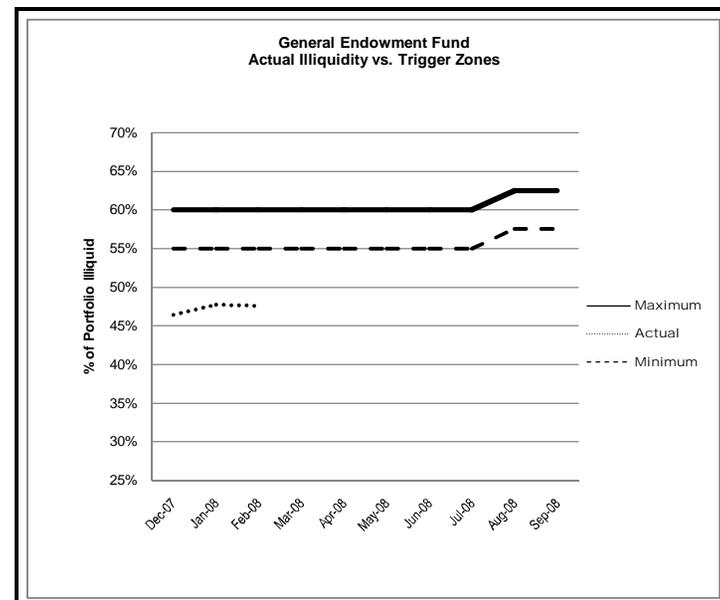
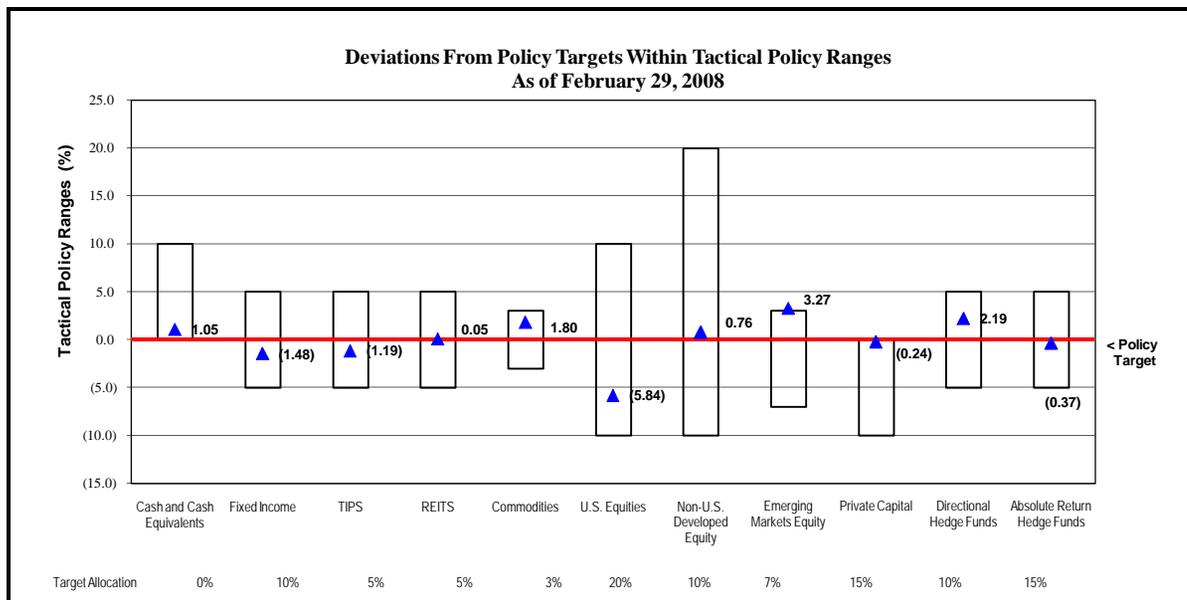
II. GENERAL ENDOWMENT FUND Investment Reports for Periods Ended February 29, 2008

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

<u>Summary of Capital Flows</u>			
(\$ 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	<u>\$ 6,433.1</u>	<u>\$ 6,598.9</u>	<u>\$ 6,598.9</u>

	Returns		Fiscal Year to Date		
	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%

64



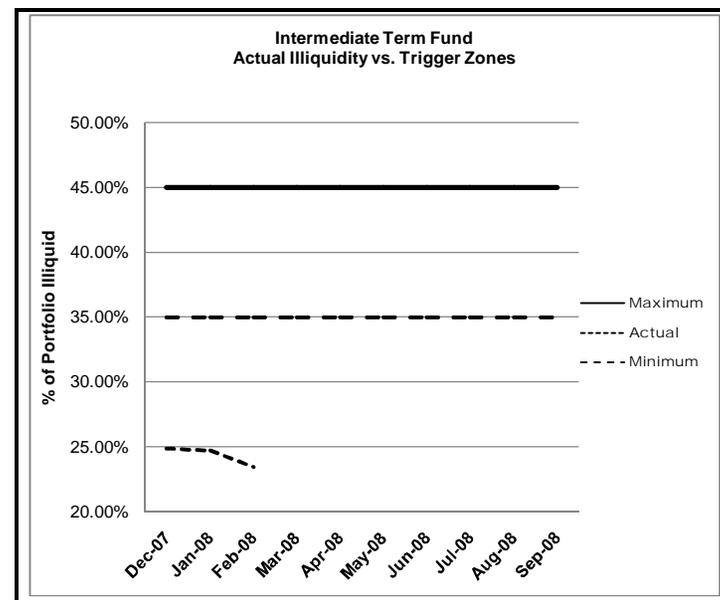
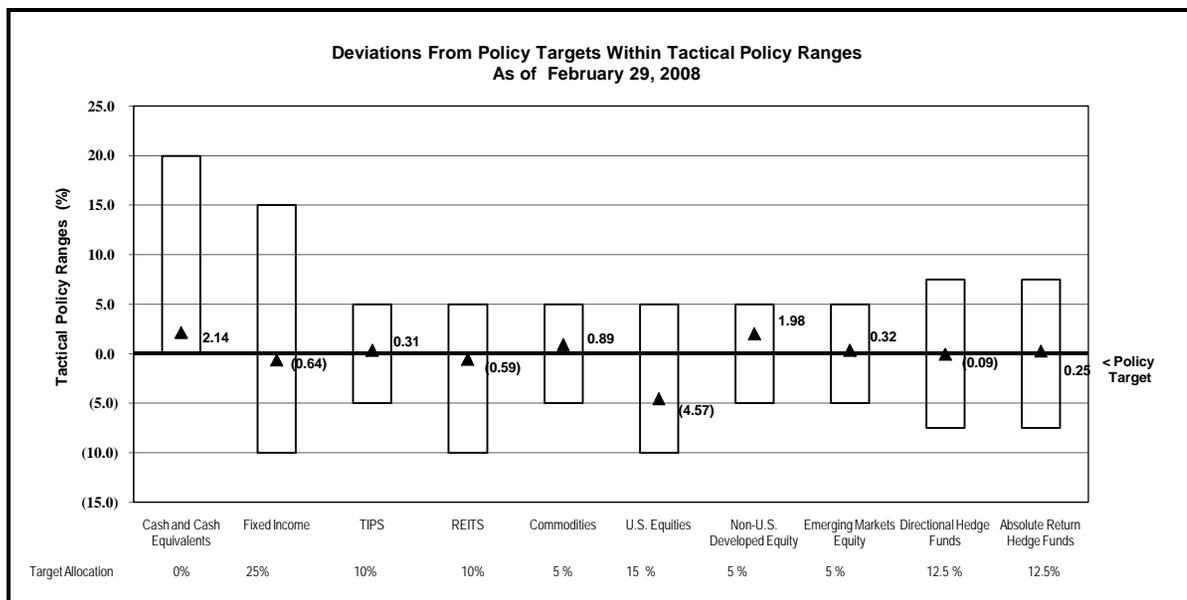
III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended February 29, 2008

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

<u>Summary of Capital Flows</u>			
(\$ 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	<u>\$ 3,720.6</u>	<u>\$ 3,936.9</u>	<u>\$ 3,936.9</u>

	Returns		Fiscal Year to Date		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Value Added 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%

65



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

ASSET TYPES	(\$ thousands)															
	CURRENT PURPOSE		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL	
	DESIGNATED															
Cash & Equivalents:	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>
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.

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:

<u>Quarter Ended</u>	<u>Net Asset Value</u>
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
	<u>\$ 127,423,829,344</u>
Number of quarters	<u>12</u>
Average Net Asset Value	\$ 10,618,652,445
Distribution Percentage	5.00%
FY 2008-09 Distribution	<u><u>\$ 530,932,622</u></u>

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.

<u>System</u>	<u>Debt Service</u>
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.

<u>Average Annual</u>	<u>Percent</u>
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.

<u>Value of PUF Investments (1)</u>	<u>Proposed Distribution</u>	<u>Proposed Distribution as a % of Value of PUF Investments</u>	<u>Maximum Allowed Rate</u>
\$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. T. System: Approval to negotiate a contract for the Delivery Phase of the Common Chart of Accounts Initiative

RECOMMENDATION

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.

BACKGROUND INFORMATION

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.



TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 5/14/2008

Board Meeting: 5/15/2008
Tyler, Texas

John W. Barnhill, Jr., Chairman
Paul Foster
Printice L. Gary (Chairing May meeting)
Colleen McHugh

	Committee Meeting	Board Meeting	Page
Convene	3:30 p.m. <i>Acting Chairman Gary</i>		
1. U. T. Austin: Request to approve the honorific naming of the Center for African and African American Studies as the Dr. John L. Warfield Center for African and African American Studies	3:30 p.m. Action <i>President Powers Dr. Safady</i>	Action	73
2. U. T. Tyler: Authorization to accept a gift of the surface interest in approximately 46.386 acres of unimproved land from the Texas Area Fund Foundation and a gift of approximately 3.844 acres of unimproved land from the City of Palestine, both of which tracts are located near the intersection of Loop 256 and U.S. Highway 287, Palestine, Anderson County, Texas, for the purpose of expanding the U. T. Tyler Palestine Campus	3:35 p.m. Action <i>President Mabry Ms. Mayne</i>	Action	74
3. U. T. Dallas: Report on Project Emmitt	3:40 p.m. Report <i>President Daniel</i>	Not on Agenda	78
4. U. T. System: Discussions on academic leadership matters - differentiated institutional missions	3:55 p.m. Discussion <i>Dr. Prior</i>	Not on Agenda	78
Adjourn	4:30 p.m.		

1. **U. T. Austin: Request to approve the honorific naming of the Center for African and African American Studies as the Dr. John L. Warfield Center for African and African American Studies**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Powers that the U. T. System Board of Regents approve the honorific naming of the Center for African and African American Studies as the Dr. John L. Warfield Center for African and African American Studies at U. T. Austin to recognize Dr. Warfield's significant contributions to the Center as its founder and long-time director.

BACKGROUND INFORMATION

Upon his death on October 25, 2007, Dr. Warfield left a significant legacy of service to The University of Texas at Austin. He served as a faculty member in the College of Liberal Arts for 26 years. Coming to The University of Texas in 1973, he combined the Afro-American Studies and the African and African American Research Centers into one center and became the first director, a position he held until 1986. Dr. Warfield played a critical role in recruiting and establishing the Center's first faculty, establishing the African and African American Studies major, creating its curriculum, and facilitating its research agenda. He was instrumental in the promotion of African and African American Studies as an essential field of study.

Dr. Warfield worked to diversify the University and connect its resources with the wider community. He was also the founder of Community Radio, Inc., which runs KAZI-FM, Austin's community-based radio station. He was an activist scholar publishing in the area of race and sports at a time when this area of interest was in its infancy. In Spring 2000, the Center for African and African American Studies established the John L. Warfield Undergraduate Research Scholarship to encourage undergraduate students to conduct research in Africa and the African Diaspora.

The Center for African and African American Studies today offers a multidisciplinary course selection for undergraduate and graduate students, in addition to presenting conferences and sponsoring community building activities. The Center has over 54 faculty members and is headed by Director Edmund T. Gordon, Ph.D.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of facilities to recognize the significant contributions by Dr. Warfield.

2. **U. T. Tyler: Authorization to accept a gift of the surface interest in approximately 46.386 acres of unimproved land from the Texas Area Fund Foundation and a gift of approximately 3.844 acres of unimproved land from the City of Palestine, both of which tracts are located near the intersection of Loop 256 and U.S. Highway 287, Palestine, Anderson County, Texas, for the purpose of expanding the U. T. Tyler Palestine Campus**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Tyler, to

- a. accept a gift of the surface interest in approximately 46.386 acres of unimproved land located near the intersection of Loop 256 and U.S. Highway 287, Palestine, Anderson County, Texas, from the Texas Area Fund Foundation, for the purpose of expanding the U. T. Tyler Palestine Campus;
- b. accept a gift of approximately 3.844 acres of unimproved land located adjacent to the western border of the 46.386-acre tract of land, in Palestine, Anderson County, Texas, from the City of Palestine, for the purpose of expanding the U. T. Tyler Palestine Campus; and
- c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The subject tracts of land consist of the surface interest in approximately 46.386 acres of unimproved land located near the intersection of Loop 256 and U.S. Highway 287 (also known as State Highway 19 and West Spring Street), and approximately 3.844 acres of unimproved land located adjacent to the western border of the 46.386-acre tract, both in Palestine, Anderson County, Texas. The Texas Area Fund Foundation owns the surface interest in the 46.386-acre tract and the City of Palestine owns the 3.844-acre tract. Both gifts of land will be used for the expansion of the U. T. Tyler Palestine Campus.

The U. T. Tyler Palestine Campus officially opened in 1995 with 20 students enrolled in the undergraduate nursing program, which was located in borrowed space in the Trinity Valley Medical Center and the Trinity Valley Community College. In Fall 1996, the U. T. Tyler Palestine Campus relocated to its present site at 1820 West Spring Street, which it leased from Kay Lynn Sportswear, Inc. On February 12, 1998, the U. T. System Board of Regents approved the purchase of the Spring Street site consisting of approximately 2.536 acres with 16,556 square feet of improvements located at the intersection of Loop 256 and U.S. Highway 287. The U. T. Tyler Palestine Campus currently offers courses in nursing, business, education, health and kinesiology, and history. The two gift tracts are located south of the existing U. T. Tyler Palestine Campus.

It is anticipated that U. T. Tyler will receive, at a future date, a donation of additional land from the City of Palestine to connect the existing campus with the new gift tracts and provide access to U.S. Highway 287. U. T. Tyler is currently working with the City of Palestine to determine the size and exact location of the additional land gift.

The gift tracts will provide U. T. Tyler with additional land to expand programs, particularly nursing, where critical shortages exist throughout the State. Additionally, it is U. T. Tyler's position that acquisition of the gift tracts will help fulfill two goals in the institution's Strategic Plan - New Millennium Vision. First, the new campus will help create a greater sense of togetherness and provide a more complete and attractive campus that will contribute to the fulfillment of the goal of creating an exciting community of learning throughout the University that fully and actively engages all students. Second, the planned use of the gift tracts will contribute to the goal of increasing meaningful community service and promoting the economic development of Tyler, Longview, Palestine, and all of East Texas. The objective of the second goal is to create centers of excellence that connect the academic, research, and service resources of U. T. Tyler to the business and public needs of East Texas by working closely with area economic development organizations to accomplish this objective.

The Palestine Campus Expansion project is included in the FY 2008-2013 Capital Improvement Program at a total project cost of \$7,000,000, consisting of \$6,300,000 of Tuition Revenue Bonds and \$700,000 of Permanent University Fund Bonds. The total project cost will be \$8,000,000 if approved on May 15, 2008 (see Item 10 on Page 126 of the Facilities Planning and Construction Committee regarding this construction project). The terms and conditions of the gifts of land are reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. Tyler
Type of Transaction:	Two gifts of unimproved land
Total Area:	Approximately 46.386 acres (surface interest only) and 3.844 acres

Improvements: None

Location: Intersection of Loop 256 and U.S. Highway 287 (also known as State Highway 19 and West Spring Street), Palestine, Anderson County, Texas, in the John Crist Survey, Abstract No. 165, and the William Smith Survey, Abstract No. 712, Anderson County, Texas; see attached map

Donors: Texas Area Fund Foundation (46.386 acres), City of Palestine (3.844 acres)

Appraised Value: 46.386 Acres: \$765,000
(Appraisal Associates, March 10, 2008);
3.844 Acres: \$63,500
(Appraisal Associates, March 10, 2008)

Intended Use: U. T. Tyler Palestine Campus expansion

PALESTINE WATER WORKS

PALESTINE WATER WORKS

WATER WORKS RD

CITY OF PALESTINE

Subject Property

Subject Property

U. T. Tyler
Palestine Campus

PALESTINE
WATER
WORKS

STATE
OF
TEXAS

PALESTINE
WATER
WORKS

U.S. Hwy 287 | State Highway 19

3.844 ac

46.386 ac

LOOP 256

W SPRING ST

STERNE AVE



3. **U. T. Dallas: Report on Project Emmitt**

REPORT

President Daniel will present a progress report on Project Emmitt, a \$300 million program to advance the Erik Jonsson School of Engineering and Computer Science program at U. T. Dallas to top-tier status. The program was announced in 2003 and was made possible through the leadership of Texas Instruments with cooperation from the State of Texas, U. T. System, and U. T. Dallas.

Supplemental Materials: Project Emmitt PowerPoint presentation on Pages 107 - 109 of Volume 2.

4. **U. T. System: Discussions on academic leadership matters - differentiated institutional missions**

PURPOSE

Executive Vice Chancellor Prior will lead a discussion and engagement with presidents and members of the Board on topics related to academic issues and opportunities and differentiated institutional missions.



TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meetings: 5/14/2008

*Colleen McHugh, Chairman
James D. Dannenbaum
James R. Huffines
Robert B. Rowling*

Board Meeting: 5/15/2008
Tyler, Texas

	Committee Meeting
A. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE	10:00 a.m.
The Health Affairs Committee will discuss overall trends in healthcare in the United States and Texas with an emphasis upon changing modes of reimbursement for healthcare services and their impact on U. T. System institutions. Discussions will include:	<i>Chairman McHugh</i>
Overview of national trends in healthcare reimbursement	<i>Dr. Shine</i>
Medicare, including reimbursement and its role in Graduate Medical Education (GME) and Diagnostic Related Groups (DRG)	<i>President Calhoun</i>
Medicaid, including reimbursement rates and the role of Upper Payment Limits (UPL) for physicians	<i>President Wildenthal</i>
The rising number of the uninsured and underinsured, the role of Disproportionate Share Hospital (DSH) and the role of counties paying for healthcare	<i>President Callender</i>
Current trends in the delivery of healthcare, particularly the role of ambulatory care versus inpatient care	<i>President Cigarroa</i>
Discuss U. T. M. D. Anderson Cancer Center's experience with reimbursement differences and partnering with other institutions	<i>President Mendelsohn</i>
Challenges of negotiating affiliation agreements and annual operating agreements with hospitals and hospital districts	<i>President Willerson</i>
Recapitulation	<i>Dr. Shine</i>
B. ADJOURN SPECIAL MEETING	12:00 noon

	Committee Meeting	Board Meeting	Page
C. CONVENE MEETING OF HEALTH AFFAIRS COMMITTEE	<i>2:30 p.m. Chairman McHugh</i>		
1. U. T. Southwestern Medical Center – Dallas: Approval of acceptance of gift of outdoor art	<i>2:30 p.m. Action President Wildenthal Dr. Shine</i>	Action	79
2. U. T. Southwestern Medical Center – Dallas: Approval of an M.S. and a Ph.D. degree program in Cancer Biology	<i>2:35 p.m. Action President Wildenthal Dr. Shine</i>	Action	80
3. U. T. Medical Branch – Galveston: Approval of after-tax retirement plan pursuant to Section 457(f) of the <i>Internal Revenue Code of 1986</i>, as amended	<i>2:40 p.m. Action President Callender Dr. Shine</i>	Action	82
4. U. T. Southwestern Medical Center – Dallas: Approval of the Amended and Restated Certificate of Formation and Third Amended and Restated Bylaws of UT Southwestern Moncrief Cancer Center	<i>2:50 p.m. Action President Wildenthal Dr. Shine</i>	Action	83
5. U. T. Southwestern Medical Center – Dallas: Authorization to purchase three tracts of land and improvements located at 6222, 6303, 6333, 6363, and 6500 Forest Park Road, Dallas, Dallas County, Texas, and consisting of a total of approximately 24.0665 acres, from LUI Dallas Exchange Park, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals to be used for the administrative, educational, and medical programs of U. T. Southwestern Medical Center – Dallas; and resolution regarding parity debt	<i>2:55 p.m. Action President Wildenthal Ms. Mayne</i>	Action	104
6. U. T. System: Code Red Report, 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas	<i>3:05 p.m. Report Dr. Stobo Dr. Shine</i>	Not on Agenda	108
7. U. T. System: Quarterly report on health matters, including a statewide conference on physician work-force issues, by Executive Vice Chancellor Shine	<i>3:15 p.m. Report Dr. Shine</i>	Not on Agenda	108
D. ADJOURN	<i>3:30 p.m.</i>		

1. **U. T. Southwestern Medical Center – Dallas: Approval of acceptance of gift of outdoor art**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Wildenthal that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art at U. T. Southwestern Medical Center – Dallas. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 3.1 regarding outdoor works of art.

Supplemental Materials: Photo of outdoor granite sculpture titled *Sun Disc Triptych* on Page 110 of Volume 2 and photo of similar outdoor granite sculpture on Page 110a of Volume 2.

BACKGROUND INFORMATION

U. T. Southwestern Medical Center – Dallas is requesting approval to accept a donation from Austin Industries, Inc., for an abstract sculpture to be placed on the grounds of the institution's north campus in the courtyard area of the T. Boone Pickens Biomedical Building.

The outdoor art sculpture by Texas artist Mr. Jesús Moroles titled *Sun Disc Triptych* will be three pieces of granite approximately six feet in diameter and one foot deep. Each piece will sit on a cylindrical granite pedestal two feet high and one foot in diameter. Mr. Moroles' work is exhibited across the United States in galleries, museums, private collections, and public spaces, and has been featured in numerous publications, including *ARTnews* and *The New York Times*. Mr. Moroles is widely known for his large-scale public installations at the CBS Plaza in New York City and the Houston Police Officers' Memorial.

Austin Industries, Inc., is commissioning the sculpture to honor Mr. William T. Solomon's contributions to the company founded by his grandfather, as well as to recognize the Solomon family's contributions to U. T. Southwestern Medical Center – Dallas. Mr. Solomon is retiring as Chairman and CEO of Austin Industries. He has chaired Southwestern Medical Center's Innovations in Medicine Capital Campaign, raising over \$740 million since 2002. Mr. and Mrs. Solomon have donated over \$10 million to the institution.

Austin Industries, Inc., will pay the cost of installing the sculpture, and routine maintenance will be paid from non-State funds allocated for outdoor groundskeeping. Proposed placement of this outdoor work of art is consistent with the institution's Campus Master Plan.

2. **U. T. Southwestern Medical Center – Dallas: Approval of an M.S. and a Ph.D. degree program in Cancer Biology**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307 related to academic program approval standards, be granted to

- a. establish an M.S. and a Ph.D. degree program in Cancer Biology in the Graduate School of Biomedical Sciences at U. T. Southwestern Medical Center – Dallas; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

The Graduate School of Biomedical Sciences at U. T. Southwestern Medical Center – Dallas wishes to implement a program of graduate study resulting in the degrees of M.S. and Ph.D. in Cancer Biology (Cancer Biology Graduate Program) within the Division of Basic Science training program. The program is an outgrowth of a Cancer Biology Training Track that grew rapidly in students and faculty. This is not a new initiative but an improved mechanism for organizing instruction in this discipline. The long-term goal of the Cancer Biology Graduate Program is to provide in-depth training and practical experience for independent investigators committed to careers in cancer research. The program is designed to prepare graduates to succeed in careers in academia, pharmaceutical and biotechnology industries, and clinical research. Besides obtaining practical experience in the conduct of cancer research, students participating in the program will have access on campus to state-of-the-art facilities, shared instrumentation and research cores, and a diverse interdisciplinary faculty.

Although only students intending to achieve the Ph.D. degree would be admitted to the program, the M.S. degree could be awarded on an individual basis to a student acting in good faith who may not have completed the Ph.D. degree requirements. Admission standards will be the same as for all graduate students in areas of basic biomedical research at U. T. Southwestern Medical Center – Dallas.

Need and Student Demand

A critical mass of well-trained cancer researchers is needed to fulfill the mission of the institution in the 21st century. The increased understanding of the disease and improvements in cancer therapy will offer enormous benefits to the State of Texas and the nation by lessening human suffering, loss of productivity of citizens stricken with the disease, and the financial costs of treating cancer patients.

During the past two years, the present Cancer Biology Training Track of the Genetics and Development Graduate Program has experienced one of the most rapid expansions of a training track in the history of the Division of Basic Science at U. T. Southwestern. The coursework is designed to provide that students obtaining degrees from the Cancer Biology Graduate Program will be prepared to provide skilled labor in all areas related to cancer research, bolstering the healthcare sector of the economy.

Program Quality

The proposed M.S. and Ph.D. in Cancer Biology directly supports the mission of U. T. Southwestern Medical Center – Dallas and is designed to produce the next generation of leaders in cancer research. Improvements in public health depend in part on developing better methods to prevent and treat cancer, which require renewing the research workforce trained to investigate cancer. This Graduate Program will train the next generation of cancer researchers where clinicians practice medicine, enhancing the ability to conduct clinical and basic research.

Many other universities in Texas have multidisciplinary programs that include cancer research. This comprehensive focus on the study of cancer and courses focusing on translating basic research knowledge into cancer therapies is likely to increase the quality of cancer research throughout Texas.

Program Cost

The Cancer Biology Graduate Program is a new and improved mechanism for organizing instruction, but it is not a new initiative requiring additional faculty hires or additional resources. All costs are currently being covered by existing resources within the Cancer Center, Medical School, and Graduate School.

3. **U. T. Medical Branch – Galveston: Approval of after-tax retirement plan pursuant to Section 457(f) of the *Internal Revenue Code of 1986*, as amended**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Callender that the U. T. System Board of Regents authorize establishment and implementation of an after-tax retirement plan for certain key employees, pursuant to Section 457(f) of the *Internal Revenue Code of 1986*, as amended, subject to review and approval by the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

U. T. Medical Branch – Galveston is proposing to establish an after-tax executive retirement benefit plan (the "Plan") for a select group of management or highly compensated employees as identified by the President of the institution with approval of the Executive Vice Chancellor for Health Affairs. The purposes of this plan are to improve the institution's competitiveness in recruiting highly-qualified candidates to enhance its mission of teaching, research, and patient care and to enhance its ability to retain highly-qualified employees because of the long-term retirement enhancements offered by this Plan.

The Plan is an excess benefit plan involving employee deferrals with employer matches, considerably different from the discretionary deferred compensation plan for the Medical Branch approved by the U. T. System Board of Regents on November 9, 2007. Excess benefit plans are common tools used for recruiting and retention throughout the health-care industry.

The details of the Plan are as follows:

- a. The Plan would allow Eligible Employees participating in the Optional Retirement Program (ORP) or the Teacher Retirement System (TRS) to make contributions, above the compensation limits of Section 401(a)(17) and the contribution limits of Section 415(c) of the *Internal Revenue Code*, which apply to ORP and TRS, to a Section 457(f) account authorized by the *Internal Revenue Code* and *Texas Revised Civil Statutes Annotated* Article 6228a-5, Section 3(a). The 2008 compensation limit is \$230,000 and the 2008 contribution limit is \$46,000.

- b. Eligible Employees will be designated by the President with the approval of the Executive Vice Chancellor for Health Affairs. Employees who are participating in The University of Texas System Governmental Retirement Arrangement (UTGRA) will not be eligible to participate in the Plan since they are already receiving excess benefit deferrals under UTGRA. The proposed Plan would reduce the benefit disparity with UTGRA participants for individuals hired on or after September 1, 1996, and who are not eligible for UTGRA.
- c. During the period the person is an Eligible Employee, U. T. Medical Branch – Galveston will make monthly contributions of employee deferrals and institutional matching funds (based on the fixed percentages of contributions under the ORP or TRS plans), to the extent they exceed the limits of Section 401(a)(17) and Section 415(c), *Internal Revenue Code*, to a separate bookkeeping account in the name of the Eligible Employee. The Eligible Employee will be immediately vested in the contributions that will be included in his or her taxable income. The employer match, even though taxable, is an advantage for Eligible Employees under the Plan.
- d. Eligible Employees also will be immediately vested in the earnings and appreciation of their accounts, but the tax on such earnings and appreciation will be deferred until distribution of the account. This tax deferral is another advantage to the Eligible Employee under the Plan.
- e. The Eligible Employee must be employed by U. T. Medical Branch – Galveston to continue to receive contributions to the Plan.
- f. Upon separation from service, disability, or death, the Eligible Employee (or designated beneficiary) will receive a distribution of account balance, subject to required tax or other deductions, within 30 days of the event.

4. **U. T. Southwestern Medical Center – Dallas: Approval of the Amended and Restated Certificate of Formation and Third Amended and Restated Bylaws of UT Southwestern Moncrief Cancer Center**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Wildenthal that the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center – Dallas, approve the Amended and Restated Certificate of Formation and Third Amended and Restated Bylaws of UT Southwestern Moncrief Cancer Center, as set out on Pages 85 – 103.

BACKGROUND INFORMATION

UT Southwestern Moncrief Cancer Center (Cancer Center), d/b/a Moncrief Cancer Resources, is a nonprofit corporation organized under the laws of the State of Texas and is operated within the meaning of Section 501(c)(3) of the *Internal Revenue Code of 1986*, as amended. The Cancer Center was made possible by a gift from former Regent W. A. "Tex" Moncrief, Jr., to U. T. M. D. Anderson Cancer Center. Originally called M. D. Anderson Cancer Network - Tarrant County, the entity changed its name effective August 31, 1999, when the U. T. System Board of Regents authorized transfer of a multimillion dollar gift from M. D. Anderson to U. T. Southwestern Medical Center – Dallas and the establishment of the Cancer Center as a separate nonprofit corporate entity.

The purpose of the nonprofit entity changed as a result of the sale of the Cancer Center's radiation treatment and medical equipment on April 1, 2006. The Cancer Center will now focus on the prevention and detection of cancer. The Cancer Center's programs will be expanded to provide a wide range of support services for cancer patients and their families, including social services, nutritional services, medical billing advocate services, genetic counseling, psychological counseling, referral services, transportation, mobile mammography screening, and educational programs.

In consultation with the donor and to reflect the new purpose and business model of Moncrief Cancer Resources, the Amended and Restated Certificate of Formation changes the purpose of the entity (Article IV) and amends reference to "Articles of Incorporation" to read "Restated Certificate." The Amended and Restated Bylaws: (1) change the purpose of Moncrief Cancer Resources (Article I); (2) change the principal place of business (Article III); (3) change the powers of the Board of Directors to be consistent with the amended purpose (Article IV, Section 4.1); (4) establish an audit committee under the direction of the Board of Directors (Article V, Section 5.1); and (5) require confidentiality of peer review documents (Article VII, Section 7.3). Other technical, nonsubstantive amendments to the documents were also made with the approval of the Executive Vice Chancellor for Health Affairs.

**AMENDED AND RESTATED
CERTIFICATE OF FORMATION OF
UT SOUTHWESTERN MONCRIEF CANCER CENTER**

Pursuant to the provisions of Section 22.105 of the *Texas Business Organizations Code* (the “TBOC”), the undersigned corporation hereby adopts its Amended and Restated Certificate of Formation.

**ARTICLE I
NAME**

The name of the Corporation is UT SOUTHWESTERN MONCRIEF CANCER CENTER.

**ARTICLE II
TYPE OF CORPORATION**

The Corporation is a nonprofit corporation.

**ARTICLE III
DURATION**

The period of the Corporation’s duration is perpetual.

**ARTICLE IV
PURPOSES**

The purposes for which the Corporation is organized and to be operated are exclusively charitable, educational, and scientific, within the meaning of Section 501(c)(3) of the *Internal Revenue Code of 1986*, as amended (the “Code”) In accomplishment of such purposes, the Corporation is to be administered solely for the benefit of The University of Texas Southwestern Medical Center at Dallas (the “Beneficiary”), by providing, directly or indirectly, assistance and benefit, financial or otherwise, to the Beneficiary through whatever means are determined by the Corporation’s Board of Directors (the “Board of Directors”), including, but not limited to, making distributions or contributions to the Beneficiary or providing services to the Beneficiary More specifically, the Corporation will emphasize clinical, educational, and scientific aspects of cancer care in Tarrant County, Texas and throughout the State of Texas. In accomplishment of its purposes, the Corporation may:

- (1) Establish, own, and operate one or more centers (the “Centers”) for the prevention and detection of cancer, to assist in the establishment of a comprehensive, multi-disciplinary cancer treatment program in Tarrant County, Texas, and to provide support services to cancer patients and their families in Tarrant County, Texas, and surrounding communities;

- (2) Enter into arrangements with other providers of cancer care, pursuant to which the cancer programs of all participants may be offered to the public in a coordinated manner;
- (3) Engage in the functions of the carrying out of scientific research and research projects in the public interest in the fields of medical sciences, medical economics, public health, sociology, and related areas, particularly in conjunction with the Beneficiary's research programs;
- (4) Enter into arrangements with other healthcare providers for the provision of ancillary services for the Centers;
- (5) Enter into educational arrangements with local medical centers or other healthcare providers for programs to advance the training of physicians, technicians, and allied health professionals in the care of cancer patients;
- (6) Establish and maintain programs, including educational programs and services for physicians, educational programs for the public, and marketing programs, with respect to cancer and the services and facilities offered by the Corporation for the diagnosis and treatment of cancer; and
- (7) Perform such other activities or functions that the Board of Directors deems appropriate or necessary for the accomplishment of the purposes of the Corporation.

If (i) the Beneficiary ceases to be an organization described in Sections 509(a)(1) or 509(a)(2) of the Code or (ii) the Beneficiary is dissolved or otherwise ceases to exist, the Board of Directors shall by written notice (evidencing at least a majority determination of the Board of Directors) administer the Corporation for the sole benefit of The University of Texas System (the "First Substitute Beneficiary"). If (a) the First Substitute Beneficiary is not or thereafter ceases to be an organization described in Section 509(a)(1) or 509(a)(2) of the Code or (b) the First Substitute Beneficiary is dissolved or otherwise ceases to exist, the Board of Directors shall by written notice (evidencing at least a majority determination of the Board of Directors) administer the Corporation for the sole benefit of the State of Texas (the "Second Substitute Beneficiary").

Notwithstanding any other provisions of this Amended and Restated Certificate of Formation (the "Restated Certificate") to the contrary, the corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization which is exempt from tax under Section 501(c)(3) of the Code, or its Regulations, or by an organization, donations to which are deductible from taxable income under Section 170(c)(2) of the Code, or its Regulations. The corporation shall be organized and at all times operated for the benefit of the Beneficiary and shall be operated, supervised, or controlled by the Beneficiary.

ARTICLE V MEMBER

The sole member (the "Member") of the corporation shall be the President of the Beneficiary, acting in his or her official capacity as such.

**ARTICLE VI
PROHIBITIONS**

Regardless of any other provisions of this Restated Certificate or the laws of the State of Texas, the Corporation shall not:

- (1) Permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation effecting one or more of its purposes);
- (2) Devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise; or
- (3) Participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office.

**ARTICLE VII
DISSOLUTION AND DISTRIBUTIONS**

Upon the dissolution of the Corporation, after payment or provision for payment of the Corporation's liabilities has been made, the Corporation's remaining assets shall be distributed exclusively to the Beneficiary or to such other organization as is selected pursuant to the provisions of Article IV. The amount of any distribution made under this Article VII shall be determined by the Board of Directors.

**ARTICLE VIII
BOARD OF DIRECTORS**

The direction and management of the affairs of the Corporation and the control and disposition of its properties and funds shall be vested in a Board of Directors. The number, terms of office, manner of election of appointment and qualifications of the directors shall be fully set forth in the Bylaws of the Corporation, subject, however, to the following requirements and limitations:

- (1) The number of directors shall be as specified in the bylaws, and such number may from time to time be increased or decreased under the bylaws, or any amendment or change to the bylaws, except that the number of directors shall not be less than the minimum number of directors required by the TBOC. Each director shall be appointed by the corporation's sole member, subject to the following requirements and limitations
 - (a) One director must be a person who is nominated by the affirmative vote of a majority of the Program Directors of Moncrief Radiation Center, a Texas nonprofit corporation (as defined in the governing documents for Moncrief Radiation Center).

(b) Any vacancy resulting from the expiration of a director's term or any vacancy occurring in a director's position prior to the expiration of such director's term shall be filled by the Member, subject to the conditions described in subsection (a) of this Section in the case of a director nominated by the Program Directors of Moncrief Radiation Center.

(2) The names and addresses of the current directors are as follows:

Name	Address
Willis C. Maddrey, M.D.	5323 Harry Hines Blvd. Dallas, Texas 75390-8570
John D. McConnell, M.D.	5323 Harry Hines Blvd Dallas, Texas 75390-8570
John W. Freese, M.D.	1701 River Run, Suite 500 Fort Worth, Texas 76107
James K. Willson, Jr., M.D.	5323 Harry Hines Blvd. Dallas, Texas 75390-8570
John A. Roan	5323 Harry Hines Blvd. Dallas, Texas 75390-8570

**ARTICLE IX
ADOPTION OF BYLAWS; AMENDMENT OF ARTICLES**

The right, power, and authority to amend the Restated Certificate or the Bylaws of the Corporation shall be reserved to the Member.

**ARTICLE X
ACTION WITHOUT A MEETING BY THE
MEMBER, DIRECTORS, OR COMMITTEE**

Any action required or allowed by the Corporation's Restated Certificate or Bylaws or by the TBOC to be taken at a meeting of the Member, the Directors, or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by the Member or by a sufficient number of Directors or committee members as would be necessary to take that action at a meeting at which the Directors or members of the committee were present and voted. Such action must comply with the applicable provisions of the TBOC.

**ARTICLE XI
INDEMNIFICATION**

The Corporation shall indemnify (which indemnification shall include, without limitation, advancing reasonable expenses) any person who is or was a Director, officer,

employee, or agent of the Corporation (or any person who is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise) to the fullest extent required or permitted by applicable law. However, no indemnification shall be made (i) in an action or suit involving the alleged professional malpractice of such director or officer or (ii) in any proceeding involving other acts or omissions of such director or officer in such person's personal capacity. In addition, the Corporation shall have the power to indemnify (which indemnification shall include, without limitation, advancing reasonable expenses including but not limited to legal fees) to the fullest extent permitted by law such other persons as the Board of Directors may determine from time to time. The Corporation shall have the power to purchase and maintain at its expense insurance on behalf of such persons to the fullest extent permitted by applicable law, whether or not the Corporation would have the power to indemnify such persons under the foregoing provisions.

ARTICLE XII LIMITATION OF LIABILITY

A Director of the Corporation shall not be liable to the Corporation for monetary damages for an act or omission in the Director's capacity as a Director, except that this Article XII does not eliminate or limit the liability of a Director of the Corporation to the extent that the Director is found liable for (i) a breach of the Director's duty of loyalty to the Corporation; (ii) an act or omission not in good faith that constitutes a breach of the duty of the Director to the Corporation or an act or omission that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which the Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office; or (iv) an act or omission for which the liability of a Director is expressly provided by an applicable statute. If the Texas Miscellaneous Corporation Laws Act or any other statute of the State of Texas hereafter is amended to authorize the further elimination or limitation of the liability of the Directors of the Corporation, then the liability of a Director of the Corporation shall be limited to the fullest extent permitted by the statutes of the State of Texas, as so amended, and such elimination or limitation or liability of a Director of the Corporation provided by the foregoing provisions of this Article. Any repeal of or amendment to this Article shall be prospective only and shall not adversely affect any limitation on the liability of a Director of the Corporation existing at the time of such repeal or amendment.

ARTICLE XIII PRIVATE FOUNDATION RESTRICTIONS

If the Corporation ever is determined to be a private foundation for federal income tax purposes, then:

- (1) The Corporation will distribute its income for each tax year at such time and in such manner so as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code.
- (2) The Corporation will not engage in any act of self-dealing as defined in Section 4941(d) of the Code.

- (3) The Corporation will not retain any excess business holdings as defined in Section 4943(c) of the Code.
- (4) The Corporation will not make any investments in such a manner so as to subject it to tax under Section 4944 of the Code.
- (5) The Corporation will not make any taxable expenditures as defined in Section 4945(d) of the Code.

**ARTICLE XIV
REGISTERED AGENT**

The street address of the registered office of the Corporation is 5323 Harry Hines Blvd., Dallas, Texas 75390-8570, and the name of its registered agent at such address is Willis C. Maddrey, M.D.

IN WITNESS WHEREOF, I have hereunto set my hand as of the _____ day of _____, 2008.

UT SOUTHWESTERN MONCRIEF
CANCER CENTER

By: _____
Name: _____
Title: _____

**THIRD AMENDED AND RESTATED BYLAWS
OF
UT SOUTHWESTERN MONCRIEF CANCER CENTER**

**ARTICLE I
STRUCTURE, PURPOSES AND REPORTING**

Section 1.1 **Structure.** UT SOUTHWESTERN MONCRIEF CANCER CENTER (the “**Corporation**”) is a nonprofit corporation organized under the laws of the State of Texas, which has one (1) Member within the meaning of the Texas Non-Profit Corporation Law, Title 1 and Chapters 20 and 22 of the *Texas Business Organizations Code* (the “**Law**”). The Certificate of Formation (formerly known as the Articles of Incorporation) of the Corporation (as amended and restated from time to time, the “**Certificate of Formation**”) was filed in the office of the Secretary of the State of Texas on June 6, 1996.

Section 1.2 **Purposes.** The purposes for which the Corporation is organized and to be operated are exclusively charitable, educational, and scientific, within the meaning of Section 501(c)(3) of the *Internal Revenue Code of 1986*, as amended (the “**Code**”). In accomplishment of such purposes, the Corporation is to be administered solely for the benefit of The University of Texas Southwestern Medical Center at Dallas (the “**Beneficiary**”), by providing, directly or indirectly, assistance and benefit, financial or otherwise, to the Beneficiary through whatever means are determined by the Corporation’s Board of Directors (the “**Board of Directors**”), including, but not limited to, making distributions or contributions to the Beneficiary or providing services to the Beneficiary. More specifically, the Corporation will emphasize clinical, educational, and scientific aspects of cancer care in Tarrant County, Texas, and throughout the State of Texas. In accomplishment of its purposes, the Corporation may:

(1) Establish, own, and operate one or more centers (the “**Centers**”) for the prevention and detection of cancer, to assist in the establishment of a comprehensive, multidisciplinary cancer treatment program in Tarrant County, Texas, and to provide support services to cancer patients and their families in Tarrant County, Texas, and surrounding communities;

(2) Enter into arrangements with other providers of cancer care, pursuant to which the cancer programs of all participants may be offered to the public in a coordinated manner;

(3) Engage in the functions of the carrying out of scientific research and research projects in the public interest in the fields of medical sciences, medical economics, public health, sociology, and related areas, particularly in conjunction with the Beneficiary’s research programs;

(4) Enter into arrangements with other healthcare providers for the provision of ancillary services for the Centers;

(5) Enter into educational arrangements with local medical centers or other healthcare providers for programs to advance the training of physicians, technicians, and allied health professionals in the care of cancer patients;

(6) Establish and maintain programs, including educational programs and services for physicians, educational programs for the public, and marketing programs, with respect to cancer and the services and facilities offered by the Corporation for the diagnosis and treatment of cancer; and

(7) Perform such other activities or functions that the Board of Directors deems appropriate or necessary for the accomplishment of the purposes of the Corporation.

Section 1.3 **Reporting.** In furtherance of the Corporation's purposes of supporting the Beneficiary, the Corporation will provide at least quarterly periodic financial reports, including without limitation a balance sheet and statement of revenues and expenses, to Moncrief Radiation Center (the "**Moncrief Radiation Center**"), a Texas nonprofit corporation that is also a supporting organization of the Beneficiary as described in Code Section 509(a)(3), to whom Beneficiary has delegated financial oversight of the Corporation's financial activities. The Moncrief Radiation Center will review these financial reports and make recommendations to the Beneficiary regarding the Corporation's operations and activities.

ARTICLE II MEMBER

Section 2.1 **Member.** The sole member (the "**Member**") of the Corporation shall be the President of the Beneficiary, acting in his or her official capacity as such.

Section 2.2 **Powers and Duties.** The Member shall exercise such rights and perform such duties as may be provided by law, the Corporation's Certificate of Formation, or these Bylaws (as may be amended from time to time). The Member shall appoint and remove Directors of the Corporation ("**Directors**") in accordance with the provisions of Article IV of these Bylaws.

Section 2.3 **Annual Meeting of Member.** The annual meeting of the Member shall be held at such time and place as shall be designated by resolution of the Board of Directors, or, if not so designated, on the Second Monday of the month of September of each year at the Corporation's registered office for the purpose of appointing Directors for the ensuing year, and transacting such other business as may be properly brought before such annual meeting. No notice of such annual meetings shall be required.

Section 2.4 **Special Meetings of Member.** Special meetings of the Member shall be held whenever called by the Chairman of the Board, the Board of Directors, or the Member. Notice of special meetings shall be required. The Secretary of the Corporation shall give notice of each special meeting to the Member by delivering written notice to the Member, either personally, by facsimile transmission, by electronic mail or by mail stating the place, day, and hour of the meeting and the purpose or purposes for which the meeting is called, not less than ten (10) days nor more than sixty (60) days before the date of the meeting.

Section 2.5 **Non-Liability of Member.** The Member shall not be liable for the debts, liabilities, or obligations of the Corporation.

ARTICLE III OFFICES

Section 3.1 **Principal Place of Business.** The principal place of business of the Corporation shall be located at 1701 River Run, Suite 500, Fort Worth, Texas 76107. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 3.2 **Registered Office and Registered Agent.** The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Law. The registered office may but need not be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

ARTICLE IV BOARD OF DIRECTORS

Section 4.1 **Powers.** The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Certificate of Formation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation, including, but not limited to, the power to:

- (1) establish goals and objectives for the Corporation and define the role the Corporation shall play in meeting the healthcare needs of the community the Corporation was organized to serve;
- (2) ensure that the quality of health care services furnished or sponsored by the Corporation and the qualifications and professional conduct of health care practitioners contracting with the Corporation are appropriately evaluated and monitored by qualified persons or entities,
- (3) receive periodic reports regarding the evaluation of health care services sponsored by the Corporation, taking appropriate action when necessary and maintaining the confidentiality of such activities; and
- (4) do all such other acts and things that are reasonably related to the charitable purposes for which the Corporation was organized.

This list is not all-inclusive and is not intended to limit the authority of the Board of Directors to the foregoing.

Section 4.2 **Number and Tenure.** The number of Directors shall be determined from time to time by the Member, but shall not be less than three (3) nor more than fifteen (15). The

term for each position shall be three (3) years. Each Director shall hold office until the expiration of his or her term or such time as he is removed in accordance with the provisions of these Bylaws or the Certificate of Formation, he resigns or he becomes unable to serve as a Director because of death or disability.

Section 4.3 **Appointment.** The Member shall appoint the Directors, subject to the following restrictions and limitations:

(1) One Director must be a person who is nominated by the affirmative vote of a majority of the Program Directors of Moncrief Radiation Center.

(2) Any vacancy resulting from the expiration of a Director's term or any vacancy occurring in a Director's position prior to the expiration of such Director's term shall be filled by the Member, subject to the conditions described in Section 4.3(1) above in case of a Director nominated by the Program Directors of Moncrief Radiation Center.

Section 4.4 **Removal.** Any Director appointed by the Member may be removed from office at any time, with or without cause, by the Member; provided, however, that a Director described in Section 4.3(1) above may be removed only upon the affirmative vote of a majority of the Program Directors of Moncrief Radiation Center.

Section 4.5 **Vacancies.** A Director elected to fill an unexpired vacancy shall be elected for the unexpired term of his predecessor in office.

Section 4.6 **Meetings of Directors.** The Directors may hold meetings, maintain offices, and keep the Corporation's books and records at such place or places within or without the State of Texas as the Board of Directors may from time to time determine; provided, however, that in the absence of any such determination, such place shall be the Corporation's principal office in the State of Texas.

Section 4.7 **Annual Meetings.** The annual meeting of the Board of Directors ("**Annual Meeting**") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the second Monday of the month of September of each year at the Corporation's principal office for the purpose of (a) electing officers for the ensuing year, and (b) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall not be required.

Section 4.8 **Regular Meetings.** Regular meetings of the Board of Directors ("**Regular Meetings**") shall be held quarterly at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall not be required.

Section 4.9 **Special Meetings.** Special meetings of the Board of Directors ("**Special Meetings**") shall be held at such times and places as shall be designated from time to time by the Chairman of the Board or, on the written request of any Director, by the Secretary or on the written request of the Member. Notice of Special Meetings shall be required.

Section 4.10 **Notice of Special Meetings.** The Secretary shall give notice of the time and place of Special Meetings to each Director in person, or by mail, electronic mail, facsimile transmission, or telephone, at least five (5) days before such meeting. Unless otherwise indicated in such notice, any and all matters pertaining to the Corporation's purposes may be considered and acted upon at such meeting. At any such meeting at which every Director shall be present even though without notice, any matter pertaining to the Corporation's purposes may be considered and acted upon.

Section 4.11 **Quorum.** A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, a majority of those present may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Certificate of Formation, or these Bylaws.

Section 4.12 **Voting.** A Director may vote in person or by proxy executed in writing by the Director and given to another member of the Board of Directors who is qualified to vote, or by a consent in writing in accordance with the terms and conditions of Section 7.6 below, or by a consent in writing in accordance with the terms and conditions of Article X of the Certificate of Formation. No proxy shall be valid after three (3) months from the date of its execution. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and unless otherwise made irrevocable by law.

Section 4.13 **Conduct of Business.** Matters pertaining to the Corporation's purposes shall be considered at meetings of the Board of Directors. At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the chairman may appoint any person to act as secretary of the meeting. The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business.

Section 4.14 **Compensation of Directors; Expenses.** Persons serving as Directors shall not receive any salary or compensation for their services as Directors; provided, however, that nothing contained herein shall be construed as precluding any Director from receiving compensation in a reasonable amount for personal services rendered (other than services rendered as a Director) that are reasonable and necessary in carrying out the Corporation's purposes as the Board of Directors may from time to time determine. A Director shall be entitled to reimbursement for reasonable expenses incurred by him in carrying out his duties as a Director.

ARTICLE V COMMITTEES

Section 5.1 **Board Committees.** The Board of Directors may from time to time create one or more committees for such purposes as the Board of Directors may determine in the resolution creating the committee; provided that any such committee shall not have or exercise any of the powers of the Board of Directors and provided further that any such committee may include persons not on the Board of Directors. Such committees shall be organized under these Bylaws, and, if performing medical peer review activities, the communications of such committees shall be privileged and confidential under *Texas Health & Safety Code* Sections 161.031, 161.032 and Texas Revised Civil Statutes Annotated Article 4495b, Section 5.06. Without limiting the generality of the foregoing, the Board of Directors may create an audit committee having such duties and responsibilities as the Board of Directors may from time to time determine.

Section 5.2 **Procedures; Meetings; Quorum.** Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (a) have a chairman designated by the Board of Directors, (b) fix its own rules or procedures, (c) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (d) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures, these Bylaws or by the Board of Directors.

ARTICLE VI OFFICERS

Section 6.1 **Number, Titles, and Term of Office.** The officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary. The term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 6.2 **Removal.** Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Election or appointment of an officer, agent or member of a committee shall not of itself create contract rights.

Section 6.3 **Vacancies.** Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 6.4 **Powers and Duties of the Chairman of the Board.** The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors from among the members of the Board of Directors. In the absence of the President, the Chairman of the Board can exercise the power of the President.

Section 6.5 **Powers and Duties of the President.** The President shall be the chief executive officer of the Corporation. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation, subject to the approval of the Board of Directors; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors.

Section 6.6 **Powers and Duties of the Secretary.** The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Certificate of Formation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall, in general, perform all duties incident to the office of Secretary subject to the control of the Board of Directors.

Section 6.7 **Powers and Duties of the Treasurer.** The Treasurer shall have custody of all the funds and securities of the Corporation. When necessary or proper, he or she may endorse, on behalf of the Corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the Board of Directors, and he or she may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such other officer as is designated by the Board of Directors. The Treasurer shall make such transfers and alterations in the securities of the Corporation as may be ordered by the Board of Directors. The Treasurer shall keep proper books of account and other books showing at all times the amount of funds and other property belonging to the Corporation, all of which books shall be open at all times to the inspection of the Board of Directors. The Treasurer shall, under the direction of the Board of Directors, disburse all moneys. The Treasurer shall also submit a report of the accounts and financial condition of the Corporation at each annual meeting of the Board of Directors if so requested by the Board of Directors. In general, the Treasurer shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors, and

shall perform such other duties as may be prescribed from time to time by the Board of Directors or the President. The Treasurer shall, if required by the Board of Directors, give such bond for the faithful discharge of his or her duties in such form as the Board of Directors may require. In the case of the absence or disability of the Treasurer, the Board of Directors may appoint one or more Assistant Treasurers to perform the duties of the Treasurer during such absence or disability.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 **Fiscal Year**. The Corporation's fiscal year shall be September 1 through August 31.

Section 7.2 **Seal**. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 7.3 **Confidentiality**. All reports received by the Board of Directors from another medical peer review committee, and any reports made by the Board of Directors to another medical peer review committee, as well as all of the proceedings and records of, and communications to, the Board of Directors, that are made for the purpose of providing, achieving or maintaining quality patient care, are confidential and privileged and protected from discovery and subpoena in accordance with the Texas Medical Practice Act, set forth at *Texas Occupations Code* Section 160.007, and Section 161.032 of the *Texas Health & Safety Code*.

Section 7.4 **Notice and Waiver of Notice**. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered (a) when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Member entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing, or (b) on receipt if delivered personally, by electronic mail or by facsimile. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 7.5 **Resignations**. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 7.6 **Action Without a Meeting by Member, Directors, or Committees; Telephone Meetings**. Any action required or allowed by the Corporation's Certificate of Formation, these Bylaws or by the Law to be taken at a meeting of the Member, the Directors, or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by the Member or by a sufficient number of Directors or committee members as would be necessary to take that action at a meeting at which all of the Directors or members of the committee were present and voted. Such action must comply with the applicable provisions of the Law. Subject to the requirements of law for notice of meetings, unless

otherwise restricted by the Certificate of Formation or these Bylaws, the Member, members of the Board of Directors, or members of any committee may participate in and hold a meeting of such Member, Board of Directors, or committee, as the case may be, by means of a conference telephone, or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Further, with respect to meetings of the Board of Directors, if any two Directors request in writing or by telephone at least 24 hours prior to a scheduled meeting of the Board of Directors that the meeting be held by means of a conference telephone or similar communications equipment, a telephone meeting shall be held in lieu of meeting in person.

ARTICLE VIII INDEMNIFICATION

The Corporation shall indemnify (which indemnification shall include, without limitation, advancing reasonable expenses) any person who is or was a Director, officer, employee, or agent of the Corporation (or any person who is or was serving at the request of the Corporation as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise) to the fullest extent required or permitted by applicable law. However, no indemnification shall be made (a) in an action or suit involving the alleged professional malpractice of such Director or officer, or (b) in any proceeding involving other acts or omissions of such Director or officer in such person's personal capacity. In addition, the Corporation shall have the power to indemnify (which indemnification shall include, without limitation, advancing reasonable expenses including but not limited to legal fees), to the fullest extent permitted by law, such other persons as the Board of Directors may determine from time to time. The Corporation shall have the power to purchase and maintain, at its expense, insurance on behalf of such persons to the fullest extent permitted by applicable law, whether or not the Corporation would have the power to indemnify such person under the foregoing provisions.

ARTICLE IX AMENDMENTS

The power to amend the Certificate of Formation or to alter, amend or repeal the Corporation's Bylaws is reserved exclusively to the Corporation's sole Member.

ARTICLE X CONFLICTS OF INTEREST

Section 10.1 **Duality of Interest.**

(1) **Duty of Loyalty.** Directors and officers of the Corporation have a duty of undivided loyalty to the Corporation in all matters affecting the Corporation's interests.

(2) **Director Relationship Interest.** If the Board considers entering into any transaction or arrangement ("**Transaction**") with a corporation, entity or individual in

which a Director has any interest (“**Relationship Interest**”), the following procedures must be followed for approval:

(A) The interested Director must disclose the potential conflict of interest to the Board of Directors;

(B) The Board of Directors may ask the interested Director to leave the meeting during discussion of the matter that gives rise to the potential conflict;

(C) The interested Director may not vote on the matter that gives rise to the potential conflict; and

(D) The Board of Directors must approve the Transaction by a majority vote of the Directors present at a meeting at which a quorum is present, not including the presence or vote of the interested Director.

(3) **Director Economic Interest**. Moreover, if a Director has any interest in a Transaction that might involve personal financial gain or loss for such Director (“**Economic Interest**”), in addition to the provisions required by **Section 10.1(2)(A)** above, the below procedures must also be followed:

(A) If appropriate, the Board of Directors may appoint a noninterested person or committee to investigate alternatives to the proposed Transaction;

(B) In order to approve the Transaction, the Board of Directors must first find, by a majority vote of the Directors then in office, without counting the vote of the interested Director,

(i) that the proposed Transaction is in the Corporation’s best interests and for its own benefit, and

(ii) that, after reasonable investigation, the Board of Directors has determined that the Corporation cannot obtain a more advantageous Transaction with reasonable efforts under the circumstances.

(C) The interested Director must not be present for the discussion or vote regarding the Transaction;

(D) The Transaction must be approved by a majority vote of the Directors, not including the interested Director; and

(E) The Transaction must be approved by the Member.

(4) **Minutes of Meeting**. In all cases involving the approval of a Transaction involving an interested Director, the Board of Directors meeting minutes must set forth which Directors were present for the discussion and vote, compliance with each of the foregoing applicable requirements, the content of the discussion, and any roll call of the vote.

(5) Voidability of Transaction. Any transaction in which a Director has an interest that is not approved consistent with this Article X may be voided by action of the Member.

(6) Adoption of Duality of Interest Policies. Duality of interest policies may be adopted by the Member, including, without limitation, requirements and procedures with respect to: (a) regular annual statements and periodic supplements thereto by Directors, officers, professional advisors and employees and retained physicians disclosing any existing and potential dualities of interest, (b) limitations on permitted external positions and interests, and (c) corrective action with respect to transgressions of such policies.

SECRETARY'S CERTIFICATE

THIS IS TO CERTIFY that the foregoing Third Amended and Restated Bylaws of UT SOUTHWESTERN MONCRIEF CANCER CENTER have been duly adopted by action of the Member, effective as of _____, 2008, pursuant to written approval of the President of the Beneficiary effective as of _____, 2008.

IN WITNESS WHEREOF, the undersigned, duly elected and acting Secretary of the Corporation, has signed this Secretary's Certificate this ____ day of _____, 2008.

_____, Secretary

The initial Bylaws of M. D. ANDERSON CANCER NETWORK - TARRANT COUNTY were first adopted as of the 10th of June 1996.

Amendments made subsequent to December 31, 1998 should be listed below:

AMENDMENTS

<u>CHANGE NUMBER</u>	<u>DATE OF ADOPTION</u>	<u>AMENDED</u>
1	August 31, 1999	(a) amended the name of the Corporation; (b) amended the Beneficiary of the Corporation to The University of Texas Southwestern Medical Center at Dallas; and (c) changed the sole member of the Corporation to the President of the Beneficiary.
2	December 17, 2003	(a) technical amendments; (b) amended notice provisions to allow notices to be given via electronic mail; (c) added conflict of interest policy; and (d) add provisions relating to the Treasurer of the Corporation.
3	_____, 2008	(a) changed the purpose of the Corporation; (b) changed the principal place of business (c) amendments relating to the powers of the Board of Directors; (d) added reference to an audit committee; (e) eliminated provisions relating to medical staff; (f) added a confidentiality requirement as relates to medical peer review; and (g) technical amendments.

5. **U. T. Southwestern Medical Center – Dallas: Authorization to purchase three tracts of land and improvements located at 6222, 6303, 6333, 6363, and 6500 Forest Park Road, Dallas, Dallas County, Texas, and consisting of a total of approximately 24.0665 acres, from LUI Dallas Exchange Park, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals to be used for the administrative, educational, and medical programs of U. T. Southwestern Medical Center – Dallas; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center – Dallas, to

- a. purchase approximately 24.0665 acres with improvements located at 6222, 6303, 6333, 6363, and 6500 Forest Park Road, Dallas, Dallas County, Texas, from LUI Dallas Exchange Park, L. P., for a purchase price not to exceed fair market value as determined by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for use for the administrative, educational, and medical programs of U. T. Southwestern Medical Center – Dallas;
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "RFS Master Resolution") that:
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues (as defined in the RFS Master Resolution) to satisfy the Annual Debt Service Requirements of the Financing System (as defined in the RFS Master Resolution), and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;

- U. T. Southwestern Medical Center – Dallas, which is a "Member" as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation (as defined in the RFS Master Resolution) relating to the issuance by the U. T. System Board of Regents of parity RFS debt in the aggregate amount not to exceed the purchase price of the subject property; and
- this action satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

LUI Dallas Exchange Park, L. P., a Texas limited partnership, owns the subject property at 6222, 6303, 6333, 6363, and 6500 Forest Park Road, Dallas, Dallas County, Texas. The subject property consists of three tracts of land. The first tract, located at 6303-6333-6363 Forest Park Road, contains approximately 17.739 acres improved with two multistory buildings, a parking garage, surface parking, and related facilities and infrastructure. The second and third tracts consist of two contiguous parcels located at 6222 and 6500 Forest Park Road that contain approximately 1.8948 acres and 4.4327 acres, respectively. A thermal energy plant, surface parking, and related facilities and infrastructure are located on these two contiguous parcels.

The property lies within the Campus Master Plan approved by the Board of Regents on August 10, 2000. The 17.739-acre site is contiguous to U. T. Southwestern's North Campus and the other two parcels are contiguous to U. T. Southwestern's property on which the institution's Southwestern Medical Park Apartments are located.

Acquisition of the subject property addresses U. T. Southwestern's need for administrative, educational, and medical space. For over 20 years, U. T. Southwestern has leased space in the office buildings located on the tracts. This leased space has currently grown to approximately 180,000 square feet that is used for administrative purposes, delivery of psychiatric services, and educational conference rooms. The institution also leases approximately 61,001 square feet of space in nearby buildings (not included in this purchase), and those uses will be relocated to the subject property as their leases expire.

The institution expects to realize approximately \$3.3 million in annual rental savings from the termination of those lease obligations. In addition, U. T. Southwestern plans to consolidate approximately 191,000 square feet of space from two owned buildings that are approximately one to two miles from the campus, thus presenting an opportunity to sell or lease those buildings as surplus property.

A parking garage with 1,941 spaces and two surface parking lots on the subject property will provide surplus parking for the North Campus as it expands. The institution continues to experience annual growth in its administrative space needs of approximately 15,000 square feet. The proposed acquisition will accommodate this growth and provide opportunities for use by other nearby University of Texas institutions.

To fund the purchase, U. T. Southwestern Medical Center – Dallas will use U. T. System Revenue Financing System (RFS) debt. The RFS debt will be repaid from institutional funds. Debt service is estimated at approximately \$2.8 million annually. The institution's debt service coverage ratio is expected to be at least 1.9 times, and to average 2.1 times during the period from FY 2008 through FY 2013. The terms and conditions of the proposed purchase are specified in the transaction summary below:

Transaction Summary

Institution:	U. T. Southwestern Medical Center – Dallas
Type of Transaction:	Purchase
Total Area:	24.0665 acres
Improvements:	14-story office building with 471,591 square feet 10-story office building with 175,000 square feet Thermal energy plant Parking garage with 1,941 spaces Surface parking with approximately 546 spaces
Location:	6222 Forest Park Road: 1.8948 acres: thermal energy plant building 6303-6333-6363 Forest Park Road: 17.739 acres: multistory office buildings, parking garage, and surface parking 6500 Forest Park Road: 4.4327 acres: surface parking lot
Seller:	LUI Dallas Exchange Park, L. P., a Texas limited partnership
Purchase Price:	Not to exceed fair market value as determined by independent appraisals
Appraised Value:	Mark Donoho Company, estimated completion date: April 21, 2008; Butler Burgher, estimated completion date: April 28, 2008
Source of Funds:	Revenue Financing System debt, not to exceed the purchase price, to be repaid from institutional funds
Intended Use:	Administrative, educational, and medical programs

Subject Properties



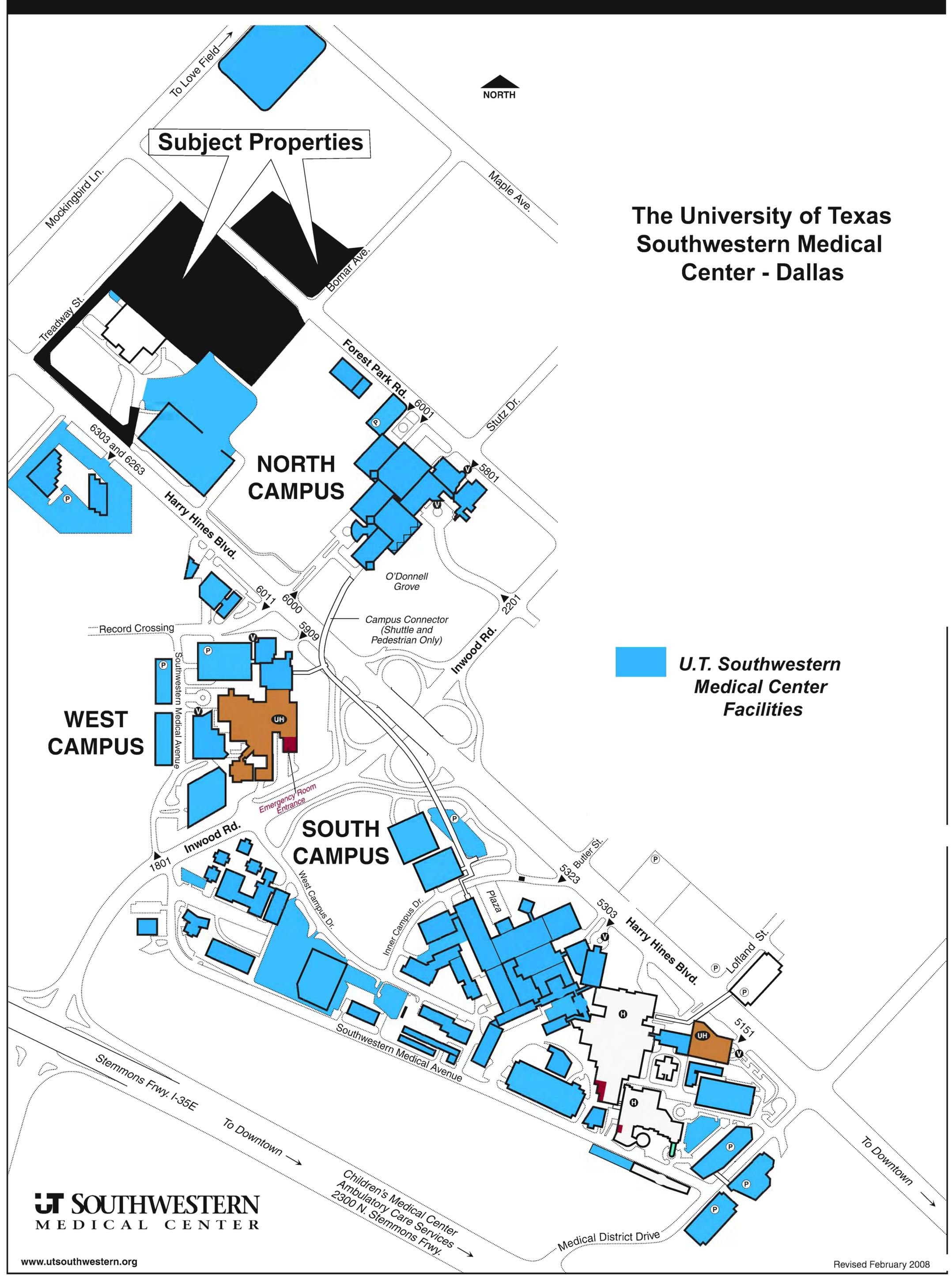
**The University of Texas
Southwestern Medical
Center - Dallas**

**WEST
CAMPUS**

**NORTH
CAMPUS**

**SOUTH
CAMPUS**

 **U.T. Southwestern
Medical Center
Facilities**



6. **U. T. System: Code Red Report, 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas**

REPORT

Executive Director for Academic Programs, John D. Stobo, M.D., will report on the 2008 recommendations of the statewide Task Force on Access to Health Care in Texas.

The Task Force is a nonpartisan group sponsored by the major academic health institutions in Texas with membership from large and small employers in Texas, healthcare providers, hospitals, medical schools, health policy experts, and community and business leaders. The Task Force examined data to identify and assess the growing population of the medically uninsured in Texas, and made recommendations for consideration by policymakers in its initial report issued on April 17, 2006: *Code Red: The Critical Condition of Health in Texas* (Code Red Report). On October 22, 2007, the Task Force held a conference to receive comments from a wide variety of stakeholders on efforts to increase access to healthcare for the uninsured. An update to the Code Red Report was issued on March 28, 2008, to reemphasize the initial recommendations of the Task Force and to provide new findings and further recommendations.

Supplemental Materials: *Code Red: The Critical Condition of Health in Texas 2008* on Pages 111 – 120 of Volume 2.

7. **U. T. System: Quarterly report on health matters, including a statewide conference on physician workforce issues, by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including a statewide conference on physician workforce issues. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.



TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 5/14/2008

Board Meeting: 5/15/2008
Tyler, Texas

James R. Huffines, *Chairman*
James D. Dannenbaum
Printice L. Gary
Janiece Longoria (*Chairing May 15 portion of meeting*)

	Committee Meeting	Board Meeting	Page
Convene	<i>1:30 p.m.</i> <i>Chairman Huffines</i>		
1. U. T. Southwestern Medical Center - Dallas: Intraoperative Magnetic Resonance Imaging Facility - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management	<i>1:30 p.m.</i> Action <i>Mr. O'Donnell</i>	Action	109
2. U. T. Health Science Center - Houston: Build Out of Floor 6 for Biomedical Engineering - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>1:34 p.m.</i> Action <i>Mr. O'Donnell</i>	Action	110
3. U. T. Health Science Center - San Antonio: Recreation and Wellness Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; and authorization of institutional management	<i>1:38 p.m.</i> Action <i>Mr. O'Donnell</i>	Action	112
4. U. T. M. D. Anderson Cancer Center: Kirby Facility Build Out - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; and appropriation of funds and authorization of expenditure	<i>1:42 p.m.</i> Action <i>Mr. O'Donnell</i>	Action	113
5. U. T. Arlington: Engineering Research Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval to revise the funding sources; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	<i>1:46 p.m.</i> Action <i>Mr. O'Donnell</i>	Action	114

	Committee Meeting	Board Meeting	Page
6. U. T. Austin: Student Activity Center/Phase I - Liberal Arts - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	1:50 p.m. Action <i>Mr. O'Donnell</i>	Action	117
7. U. T. Brownsville: Science and Technology Learning Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	1:54 p.m. Action <i>Mr. O'Donnell</i>	Action	120
8. U. T. Dallas: Campus Landscape Enhancement Project - Request for approval of design development	1:58 p.m. Action <i>Mr. O'Donnell</i>	Action	122
9. U. T. Tyler: Art Studio Addition portion of the Completion/Renovation/ Expansion of the Engineering, Science and Technology Building project - Request for approval of design development and authorization of institutional management	2:02 p.m. Action <i>Mr. O'Donnell</i>	Action	123
10. U. T. Tyler: Palestine Campus Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; approval to revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	2:06 p.m. Action <i>Mr. O'Donnell</i>	Action	126
11. U. T. Medical Branch - Galveston: Specialty Care Center at Victory Lakes - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to reapprove adding the project back onto the Capital Improvement Program; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	2:10 p.m. Action <i>Mr. O'Donnell</i>	Action	129
12. U. T. Health Science Center - Houston: U. T. Research Park Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to reduce the total project cost; delete the Parking Garage portion of the project; approval of design development of the Dental Branch Replacement Building portion of the project; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt	2:14 p.m. Action <i>Mr. O'Donnell</i>	Action	132

	Committee Meeting	Board Meeting	Page
<p>13. U. T. M. D. Anderson Cancer Center: Administrative Support Building - Phase 1, Administrative Support Building - Phase 2, Administrative Support Building - Phase 3, and Data Center Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to combine four projects and redesignate as the Administrative Support Building; approval to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt</p>	<p>2:18 p.m. Action <i>Mr. O'Donnell</i></p>	<p>Action</p>	<p>135</p>
<p>14. U. T. Austin: Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and redesignate the project as Speedway Mall North of the Blanton Museum and South of Dean Keeton Street and East Mall/East Mall Fountain</p>	<p>2:22 p.m. Action <i>Mr. O'Donnell</i></p>	<p>Action</p>	<p>139</p>
<p>Adjourn</p>	<p>2:30 p.m.</p>		

1. **U. T. Southwestern Medical Center - Dallas: Intraoperative Magnetic Resonance Imaging Facility - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Intraoperative Magnetic Resonance Imaging Facility project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project Delivery Method: Construction Manager at Risk

Institutional Managed: Yes No

Substantial Completion Date: August 2009

Total Project Cost:	<u>Source</u> Medical Services, Research and Development/Professional Fees (MSRDP)	<u>Proposed</u> \$4,900,000
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- a. approve a total project cost of \$4,900,000 with funding from MSRDP;
- b. appropriate funds and authorize expenditure; and
- c. authorize U. T. Southwestern Medical Center - Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

Project Description

The project will remodel 3,200 gross square feet in the surgery suite at Zale Lipshy University Hospital to accommodate new Intraoperative Magnetic Resonance Imaging (IMRI) equipment. Two existing surgery rooms will be affected. One room will be used for the imaging equipment, and one will be used for the surgery navigation system. The IMRI room will require both magnetic and radio frequency (RF) shielding. There will be major reconfigurations of the heating, air conditioning, and electrical systems, and significant structural modifications. The exterior pre-cast wall will be removed and reinstalled to accommodate placement of the IMRI equipment.

The IMRI equipment is needed to provide the highest quality of service and the latest technology for diagnostic and interventional imaging. The IMRI equipment will be used by faculty recognized for their expertise in neurological surgery and for outpatient and inpatient diagnostic and interventional imaging.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that the project would best be managed by the U. T. Southwestern Medical Center - Dallas Facility Management personnel who have the experience and capability to manage all aspects of the work.

2. U. T. Health Science Center - Houston: Build Out of Floor 6 for Biomedical Engineering - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Build Out of Floor 6 for Biomedical Engineering project at The University of Texas Health Science Center at Houston as follows:

Project No.:	701-401	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	November 2009	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$14,000,000

Investment Metrics:

- Researchers undergoing training within the Center for Advanced Biomedical Imaging Research (CABIR) – postdoctoral and junior faculty – 12 per year by the 4th quarter 2011 and predoctoral – 13 per year by the 4th quarter 2011
- Number of researchers (faculty, staff, and trainees housed) within the CABIR – 100 by the 4th quarter 2011
- Research expenditures per net assignable square foot within CABIR – \$350 by the 4th quarter 2011

- a. approve a total project cost of \$14,000,000 with funding from Revenue Financing System Bond Proceeds;
- b. appropriate funds and authorize expenditure; and

- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$14,000,000.

BACKGROUND INFORMATION

Debt Service

The \$14,000,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the \$14,000,000 Revenue Financing System debt is expected to be \$1,000,000. The institution's debt service coverage is expected to average 2.0 times over FY 2008-2013.

Project Description

The CABIR is a jointly owned facility between U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center. The University of Texas Interinstitutional Biomedical Engineering Department is a collaborative venture of U. T. Austin, U. T. Health Science Center - Houston, and U. T. M. D. Anderson Cancer Center. The build-out of the sixth floor of the CABIR will contain approximately 33,500 gross square feet to support education and research for the Department of Biomedical Engineering. The research facilities will include specialized laboratories to support nanotechnology research, research on the development of advanced imaging technologies, facilities for the design, development, and evaluation of robotic devices with application as assistive technologies for persons with disabilities, and neuroengineering. The educational facilities will include laboratory and office space for graduate and postgraduate trainees as well as conference areas and administrative support facilities.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

3. **U. T. Health Science Center - San Antonio: Recreation and Wellness Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; and authorization of institutional management**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Recreation and Wellness Center project at The University of Texas Health Science Center at San Antonio as follows:

Project No.: 402-403
Institutional Managed: Yes No
Project Delivery Method: Design/Build
Substantial Completion Date: January 2009
Total Project Cost:

<u>Source</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$5,500,000

Investment Metrics:

- Project will increase exercise space for students by more than 29,000 square feet by 2009.
- Project will provide exercise space for approximately 2,800 students and additional 1,200 faculty and staff in the Medical Center by 2009.

- a. approve a total project cost of \$5,500,000 with funding from Revenue Financing System Bond Proceeds; and
- b. authorize U. T. Health Science Center - San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The project will house a new recreation and wellness facility of approximately 37,000 gross square feet located on the main campus. The center will include space for workout rooms, cardiovascular and weight training, an outdoor pool, and gymnasium. The facility will be open 24 hours a day, seven days a week to accommodate the various schedules of students, faculty, and staff. This project will build the shell and finish out the gymnasium. The facility operator will complete the interior finish-out and construct an outdoor pool.

U. T. Health Science Center - San Antonio students are in need of adequate exercise or recreation facilities. This project will construct a center to accommodate the students providing space for fitness classes and intramurals, and a casual gathering space for the students.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that this project would best be managed by the U. T. Health Science Center - San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

4. U. T. M. D. Anderson Cancer Center: Kirby Facility Build Out - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; and appropriation of funds and authorization of expenditure

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Kirby Facility Build Out at The University of Texas M. D. Anderson Cancer Center as follows:

Project Delivery Method: Competitive Sealed Proposals

Institutional Managed: Yes No

Substantial Completion Date: December 2008

Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Hospital Revenues	\$4,700,000

Investment Metrics:

- Relocate the remaining administrative offices within the Houston Main Building to the Kirby Facility by December 2008
- Relocate Medical Records offices from the main campus complex to the Kirby Facility by December 2008
- Provide temporary space at a lower cost compared to other available facilities until space becomes available in the new Administrative Support Building currently estimated to be 2012

- a. approve a total project cost of \$4,700,000 with funding from Hospital Revenues; and
- b. appropriate funds and authorize expenditure of funds.

BACKGROUND INFORMATION

Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

U. T. M. D. Anderson Cancer Center requires temporary space for employees as plans continue for the demolition of the Houston Main Building to make way for new clinical facilities and the construction of the Administrative Support Building. To meet this need, U. T. M. D. Anderson Cancer Center is requesting approval to build-out the tenant space leased on Kirby Drive to serve as interim offices and swing space as the Mid-Campus area is developed.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

5. **U. T. Arlington: Engineering Research Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval to revise the funding sources; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents approve the recommendations for the Engineering Research Complex project at The University of Texas at Arlington as follows:

Project No.: 301-258
Project Delivery Method: Construction Manager at Risk
Substantial Completion Date: January 2011

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Unexpended Plant Funds		\$ 12,780,000
	Permanent University Fund Bond Proceeds	\$ 37,000,000	\$ 37,000,000
	Revenue Financing System Bond Proceeds	\$ 18,000,000	\$ 18,000,000
	Tuition Revenue Bond Proceeds	<u>\$ 70,430,000</u>	<u>\$ 70,430,000</u>
		\$125,430,000	\$138,210,000

Investment Metrics:

- Increase office, teaching, and research space by over 40% for the College of Engineering (COE)
 - Increase enrollments to more than 4,000 within five years for the COE
 - Add 25 faculty members within five years and increase research funding to \$50M within 10 years
 - Reach the top 50 in national rankings and have at least two programs in the top 25
 - Provide research labs and offices for researchers involved in 18 laboratories in biology, chemistry and biochemistry, physics, neuroscience, and computational mathematics who would be hired over a period of five years
 - Accommodate expansion and interact more effectively with engineering researchers
 - Triple level of external funding in 10 years to \$30M in annual expenditures
- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$125,430,000 to \$138,210,000;
- b. revise the funding sources to include \$12,780,000 from Unexpended Plant Funds;
- c. approve design development plans;
- d. appropriate funds and authorize expenditure of funds;
- e. approve the evaluation of alternative energy economic feasibility; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$88,430,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$70,430,000 of Tuition Revenue Bonds for an engineering research building. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The \$18,000,000 in Revenue Financing System debt will be repaid from revenues generated by indirect cost recovery. Average annual debt service on the project is estimated at approximately \$1,300,000. Debt service coverage is expected to be at least 1.8 times and average 2.5 times over FY 2009 - FY 2014.

Previous Board Actions

Engineering Lab Building Addition - On February 8, 2007, the project was included in the CIP with a total project cost of \$10,450,000 with funding from Revenue Financing System Bond Proceeds.

Engineering Research Building - On June 20, 2006, the project was included in the CIP with a total project cost of \$80,430,000 with funding of \$70,430,000 from Tuition Revenue Bond Proceeds and \$10,000,000 from Revenue Financing System Bond Proceeds. On August 10, 2006, the Board approved revising the funding to \$70,430,000 from Tuition Revenue Bond Proceeds and \$10,000,000 from Permanent University Fund (PUF) Bond Proceeds.

Expansion of Engineering Research Building - On August 10, 2006, the repair and rehabilitation project was included in the CIP with a total project cost of \$30,000,000 with funding appropriated in the amount of \$27,000,000 from PUF Bond Proceeds and \$3,000,000 from Revenue Financing System Bond Proceeds.

Engineering Research Complex - With the adoption of the FY 2008-2013 CIP on August 23, 2007, the projects were combined and redesignated as the Engineering Research Complex with a total project cost of \$125,430,000 with funding of \$70,430,000 from Tuition Revenue Bond Proceeds, \$37,000,000 from PUF Bond Proceeds, and \$18,000,000 from Revenue Financing System Bond Proceeds.

Project Description

The project includes a third floor addition of approximately 27,330 gross square feet (GSF) to the existing Engineering Lab Building and minor renovations to the first and second floors. The new construction for the Engineering Research Building will contain approximately 230,000 GSF to provide state-of-the art multidisciplinary teaching and research laboratories, laboratory support spaces, and faculty and student offices. The increase in total project cost is due to an increase in the number of fume hoods in

the Engineering Lab Building as well as more complex lab designs having significant impacts on the mechanical and electrical systems and an increase in the construction estimate for the shell space for the Engineering Research Building.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-60 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

6. **U. T. Austin: Student Activity Center/Phase I - Liberal Arts - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Student Activity Center/Phase I - Liberal Arts project at The University of Texas at Austin as follows:

Project No.: 102-248

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: September 2010

Total Project Cost: Source Current
Revenue Financing System Bond Proceeds \$69,400,000

Investment Metrics:

- Increase study and lounge space for students in the core of campus by January 2011
 - Add much needed meeting rooms of various sizes primarily reserved for student groups by January 2011
 - Add 40,000 square feet for a Liberal Arts component that will vacate a nearby building for other uses by January 2011
 - Provide space for Liberal Arts to accommodate 20 research laboratories, 50 faculty offices, and 40 graduate student spaces
- a. approve design development plans;
 - b. appropriate funds and authorize expenditure of funds;
 - c. approve the evaluation of alternative energy economic feasibility; and
 - d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$69,400,000.

BACKGROUND INFORMATION

Debt Service

The \$69,400,000 in Revenue Financing System debt will be repaid by designated tuition and interest on local funds. Average annual debt service on the project is estimated at approximately \$5,000,000. Debt service coverage is expected to be at least 1.8 times and average 2.1 times over FY 2008 - FY 2013.

Previous Board Actions

On May 11, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$44,000,000 with funding from Revenue Financing System Bond Proceeds and designated as architecturally significant. On November 9, 2007, the Board approved including the Phase I - Liberal Arts project and the increase in total project cost to \$69,400,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The new building will contain approximately 148,000 gross square feet to house various student activities including study areas, lounges, food service, meeting rooms, classrooms, a blackbox theater, and student government offices. The campus has long needed more space of this nature as the original Texas Student Union built in the 1930s can no longer accommodate all the needs of a student body that has more than doubled since then. A feasibility study was undertaken in 2005, and a student referendum was passed in Spring 2006 to fund this project through student fees. Additionally, the two upper floors will house a Liberal Arts component, which will be funded independently from the John A. and Katherine G. Jackson School of Geosciences.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

7. U. T. Brownsville: Science and Technology Learning Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President García that the U. T. System Board of Regents approve the recommendations for the Science and Technology Learning Center project at The University of Texas at Brownsville as follows:

Project No.: 902-271

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2011

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$33,800,000

Investment Metrics:

Department of Biological Sciences:

- 12 research laboratories for principal investigators
- Support areas such as cold and warm rooms, equipment rooms, and wash areas
- An animal care facility including procedure rooms, feed storage, and staff areas
- Offices for principal investigators as well as administrative support
- A community outreach program including offices for coordinators and an education area

Allied Health Program:

- Provide faculty offices, EMT and storage, sonography, and polysomnography

Emergency Operations Center:

- Provide backup data servers
- Emergency control room and spaces for operation and control of the campus in the event of an emergency

General Purpose Classrooms:

- Classrooms ranging from 130 seats to 30 seats in size

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. Brownsville, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$33,800,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$33,800,000 of Tuition Revenue Bonds for a science and technology learning center. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Action

On August 10, 2000, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$33,800,000 with funding from Tuition Revenue Bond Proceeds.

Project Description

The project consists of 60,000 gross square feet to provide laboratory and teaching space for the biomedical program, an emergency response center, and expansion for the nursing department along with classrooms and seminar rooms and faculty and departmental offices. The building would incorporate general purpose administrative and student support office space.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

8. U. T. Dallas: Campus Landscape Enhancement Project - Request for approval of design development

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the design development for the Campus Landscape Enhancement Project at The University of Texas at Dallas as follows:

Project No.:	302-244	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	July 2009	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Gifts	\$25,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 5,000,000</u>
		\$30,000,000

BACKGROUND INFORMATION

Previous Board Actions

On May 10, 2006, the repair and rehabilitation project was included in the Capital Improvement Program (CIP) with a total project cost of \$10,000,000 and funding appropriated from Gifts. On February 7, 2008, the Board approved the increase of the total project cost from \$10,000,000 to \$30,000,000 with revised funding sources of \$25,000,000 from Gifts and \$5,000,000 from Revenue Financing System Bond Proceeds, and appropriated funding.

Project Description

The enhancement of the U. T. Dallas campus landscape master plan is intended to create a visually attractive perimeter to the campus and central plaza and other areas. This project will provide green spaces, water features, and a significant central plaza where students, faculty, and staff can congregate.

This request is to approve the design development plans for the construction of the Peter Walker and Partners (PWP) design. The landscape master plan has identified two areas to be addressed for the project - the Mall and University Parkway including the entry circle at the School of Management. Each of these areas will assist with both the activation of social space on the campus as well as the overall creation of a new identity for U. T. Dallas. The Mall will provide a fabric of open space that links the existing Eugene McDermott Library and Student Union Building and extends to the south to link the School of Management and the Student Activity Center. The forestation of University Parkway will enhance the front door vehicular entrance to the campus.

The project will be split into four distinct areas to include the forestation of University Parkway with new densely planted vegetation to resemble the forested creeks on the east and west edges of campus; construction, landscaping, and roadwork for a new traffic circle at the northern end of University Parkway and the southern termination of the new campus mall; construction of a new landscaped mall with water feature, landscaping, and covered pedestrian walkways; and construction of a high canopy trellis above the library plaza with flowering plants and a water feature at the northern end of the new campus mall.

9. **U. T. Tyler: Art Studio Addition portion of the Completion/Renovation/Expansion of the Engineering, Science and Technology Building project - Request for approval of design development and authorization of institutional management**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. System Board of Regents approve the recommendations for the Art Studio Addition portion of the Completion/Renovation/Expansion of the Engineering, Science and Technology Building project at U. T. Tyler as follows:

Project No.: 802-265
Institutional Managed: Yes No
Project Delivery Method: Competitive Sealed Proposals
Substantial Completion Date: December 2009

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$43,200,000
	Permanent University Fund Bond Proceeds	\$ 4,800,000
	Gifts	<u>\$ 1,300,000</u>
		\$49,300,000

Total Project Cost for Art Studio Addition:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$5,727,000
	Permanent University Fund Bond Proceeds	\$ 73,000
	Gifts	<u>\$1,300,000</u>
		\$7,100,000

- Investment Metrics:**
- Increase capacity for art studio class sections and subsequent increase in art majors; the number of art majors is projected to increase by 15% per year from 100 to 200 students by 2013
 - Facilitate substantial growth in student credit hours; art student credit hours are projected to increase by 10% per year to an estimated 5224 hours by 2013
- a. approve design development plans; and
 - b. authorize U. T. Tyler to institutionally manage the project.

BACKGROUND INFORMATION

Previous Board Action

On August 11, 2006, the project was included in the Capital Improvement Program (CIP) as a part of a collection of projects titled Completion/Renovation/Expansion of Engineering, Science and Technology Building with a preliminary project cost of \$48,000,000 with funding of \$43,200,000 from Tuition Revenue Bond Proceeds and \$4,800,000 from Permanent University Fund (PUF) Bond Proceeds. On February 8, 2007, the Board appropriated funding for the total project cost in the amount of \$48,000,000 with funding of \$43,200,000 from Tuition Revenue Bond Proceeds and \$4,800,000 from PUF Bond Proceeds. On April 13, 2007, the Chancellor approved the increase in total project cost for the Art Studio portion of the project from \$5,800,000 to \$7,100,000 and authorized the additional appropriation of the funding of \$1,300,000 from Gifts, thereby increasing the total project cost of the collection of projects from \$48,000,000 to \$49,300,000.

Project Description

The Art Studio Addition project is one stage of the Completion/Renovation/Expansion of the Engineering, Science and Technology Building project. This request is for approval of the design development plans for the new construction of the Art Studio Addition.

The project consists of the addition of five metal buildings totaling approximately 29,000 gross square feet that will house teaching studios, departmental offices, and a lecture hall. It has been determined that this project would best be managed by the U. T. Tyler Facility Management personnel who have the experience and capability to manage all aspects of the work.

The Completion/Renovation/Expansion of the Engineering, Science and Technology Building project involves five other repair and rehabilitation projects. The University Center/Student Services project will renovate existing space to include a food court, bookstore, career/advising center, student program office space, meeting rooms, and faculty offices. The Science/Math/Hudnall Pirtle Roosth (HPR) Renovation will include improved teaching space and classrooms.

Three other institutionally managed projects include the Renovation of the Interim Old Engineering Building, First Floor; Completion of Engineering, Science and Technology Building North; and Campus Access and Safety Improvements.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 15-25 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed to comply with energy and other building codes and are consistent with the simple building type proposed. The interior appearance and finish are cost effective and robust.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

10. U. T. Tyler: Palestine Campus Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; approval to revise funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

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

Project No.: 802-266
Project Delivery Method: Competitive Sealed Proposals
Substantial Completion Date: April 2010

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Tuition Revenue Bond Proceeds	\$6,300,000	\$6,300,000
	Permanent University Fund Bond Proceeds	<u>\$ 700,000</u>	\$ 700,000
	Gifts		\$ 308,900
	Designated Funds		<u>\$ 691,100</u>
		\$7,000,000	\$8,000,000

- Investment Metric:**
- One of the goals for 2010 is to become the University of choice for 7,000 high-ability students. Palestine Campus is expected to contribute to this growth through the space and facilities in the new building.
 - The project will provide approximately 18,000 gross square feet (GSF) of additional modern space for general classrooms and office space for faculty and will accommodate rapid enrollment growth at the U. T. Tyler Palestine Campus.
 - Support increased local enrollments in Palestine area, especially in nursing. The expansion of the Palestine Campus will enable U. T. Tyler to close the gaps by increasing student access and participation in an underserved region of East Texas. Additional space will enable the University to expand programs, particularly nursing, where critical shortages exist throughout the State.
 - U. T. Tyler's Enrollment Management Plan will provide guidelines for using current space, additional space in the new building, adding appropriate number of faculty, increasing access to other majors such as management, education, criminal justice and working with Trinity Valley Community College's campus at Palestine to further increase access to students in the region.

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$7,000,000 to \$8,000,000;
- b. approve design development plans;
- c. revise funding sources from \$6,300,000 from Tuition Revenue Bond Proceeds and \$700,000 from Permanent University Fund (PUF) Bond Proceeds to \$6,300,000 from Tuition Revenue Bond Proceeds, \$700,000 from PUF Bond Proceeds, \$308,900 from Gifts, and \$691,100 from Designated Funds;
- d. appropriate funds and authorize expenditure of funds;
- e. approve the evaluation of alternative energy economic feasibility; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Tyler, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$6,300,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$6,300,000 of Tuition Revenue Bonds for campus expansion. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On June 20, 2006, the project was included in the CIP with a total project cost of \$7,000,000 with funding of \$6,300,000 from Tuition Revenue Bond Proceeds and \$700,000 from Revenue Financing System Bond Proceeds. On August 10, 2006, the Board approved revising the funding for the project to \$6,300,000 from Tuition Revenue Bond Proceeds and \$700,000 from PUF Bond Proceeds.

Project Description

The project will involve the construction of a new building of approximately 18,000 GSF for clinical and general classrooms, laboratories, and general office space for faculty. The additional space will enable U. T. Tyler to expand programs, particularly nursing, where critical shortages exist throughout the State and to accommodate rapid enrollment growth at the Palestine Campus. The increase in total project cost is to complete the approved facility program requirements. (See Item 2 on Page 74 in the Health Affairs Committee regarding gifts of land for the purpose of expanding the U. T. Tyler Palestine Campus.)

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with the new Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with high-end commercial standards.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

11. **U. T. Medical Branch - Galveston: Specialty Care Center at Victory Lakes - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to reapprove adding the project back onto the Capital Improvement Program; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Specialty Care Center at Victory Lakes project at The University of Texas Medical Branch at Galveston as follows:

Project No.:	601-241	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	October 2009	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$51,000,000
	Hospital Revenues	<u>\$10,000,000</u>
		\$61,000,000

- Investment Metrics:**
- The admissions/visits to the UTMB specialty and sub-specialty practices generated will be 463 within 24 months of occupancy
 - The monthly imaging procedures will reach 1,250 within 24 months of occupancy
- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to reapprove adding the project back onto the CIP;
 - b. approve design development plans;
 - c. appropriate funds and authorize expenditure of funds; and
 - d. approve the evaluation of alternative energy economic feasibility;
 - e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. Medical Branch - Galveston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$51,000,000.

BACKGROUND INFORMATION

Debt Service

The \$51,000,000 in Revenue Financing System debt will be repaid from revenues generated from clinic operations. Average annual debt service on the project is estimated at \$3,700,000. The project's debt service coverage is expected to average 3.1 times over FY 2010 - FY 2015.

Previous Board Actions

On August 11, 2005, the project was included in the CIP as the Clinic Facility - League City with a preliminary project cost of \$30,000,000 with funding from Revenue Financing System Bond Proceeds. On June 27, 2006, the project was redesignated as the Specialty Care Center at Victory Lakes. On August 6, 2006, the Board approved increasing the total project cost to \$35,000,000 and revised the funding to \$30,500,000 from Permanent University Fund (PUF) Bond Proceeds and \$4,500,000 from Revenue Financing System Bond Proceeds. With the adoption of the CIP on August 23, 2007, the project was deleted from the CIP until a new comprehensive plan was in place at U. T. Medical Branch - Galveston. On February 7, 2008, the Board approved the transfer of the allocated \$30,500,000 from PUF for the Specialty Care Center project to the University Boulevard Research Building project.

Project Description

The project consists of approximately 110,000 gross square feet of outpatient clinic space located on property in North Galveston County east of Interstate 45 and north of Highway 646 that leads into the Victory Lakes residential area in League City, Texas. The clinic will be a two-story structure to include clinic space, operating rooms, an imaging department, and other required support areas.

This project was previously approved in the CIP and progressed to the completion of design development prior to being removed for further study.

This property is in a growing area and is bounded by upscale residential property, secondary schools, and commercial property soon to be developed into senior care and housing facilities. The development of this outpatient, specialty clinic is critical to initiatives that support the business plan of U. T. Medical Branch - Galveston and the clinical enterprise. Projections for the service market in the project area in North Galveston County indicate that by 2011 there will be over two million insured patients in need of healthcare services. The project will support the vision of the Faculty Group Practice at the School of Medicine and has involved leadership from all facets of U. T. Medical Branch - Galveston healthcare delivery programs. This project will serve one of the fastest growing areas in the State of Texas and will serve the short stay and ambulatory care needs of U. T. Medical Branch - Galveston employees, families, and residents of the region.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 45-50 years
- Building Systems: 20-25 years
- Interior Construction: 20-25 years

The exterior appearance and finish are consistent with high-end commercial clinical facilities and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with high-end commercial clinical facilities.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

12. **U. T. Health Science Center - Houston: U. T. Research Park Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to reduce the total project cost; delete the Parking Garage portion of the project; approval of design development of the Dental Branch Replacement Building portion of the project; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

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

Project No.:	701-320		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	September 2010		
Total Project Cost for the U. T. Research Park Complex:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Unexpended Plant Funds	\$ 36,180,739	\$ 36,840,739
	Permanent University Fund Bond Proceeds	\$ 59,100,000	\$ 59,100,000
	Tuition Revenue Bond Proceeds	\$ 60,000,000	\$ 60,000,000
	Gifts	\$ 2,000,000	\$ 2,000,000
	Revenue Financing System Bond Proceeds	\$ 17,500,000	\$ 10,000,000
		<u>\$174,780,739</u>	<u>\$167,940,739</u>

Total Project Cost for the Stage 1 (BREF) of the U. T. Research Park Complex:	<u>Source</u>	<u>Current</u>
	Unexpended Plant Funds	\$36,180,739
	Permanent University Fund Bond Proceeds	<u>\$41,100,000</u>
		<u>\$77,280,739</u>

Total Project Cost for the Stage 2 (DBRB) of the U. T. Research Park Complex:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Unexpended Plant Funds		\$ 660,000
	Permanent University Fund Bond Proceeds	\$18,000,000	\$18,000,000
	Tuition Revenue Bond Proceeds	\$60,000,000	\$60,000,000
	Gifts	\$ 2,000,000	\$ 2,000,000
	Revenue Financing System Bond Proceeds	<u>\$17,500,000</u>	<u>\$10,000,000</u>
		<u>\$97,500,000</u>	<u>\$90,660,000</u>

- Investment Metrics:**
- Increase the number of students who graduate as oral healthcare professionals by 2016
 - Increase semester classroom hours delivered per assignable square feet (ASF) of classroom and pre-clinical lab space by 2012
 - Increase patient visits/treatments provided per ASF of clinical space by 2016

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to reduce the total project cost from \$174,780,739 to \$167,940,739;

- b. delete the Parking Garage portion of the project with funding of \$7,500,000 from Revenue Financing System Bond Proceeds;
- c. approve design development plans for the Dental Branch Replacement Building (DBRB) portion of the project;
- d. appropriate funds and authorize expenditure of funds in the amount of \$90,660,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$18,000,000 from Permanent University Fund (PUF) Bond Proceeds, \$10,000,000 from Revenue Financing System Bond Proceeds, \$2,000,000 from Gifts; and \$660,000 from Unexpended Plant Funds;
- e. approve the evaluation of alternative energy economic feasibility; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$70,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$60,000,000 of Tuition Revenue Bonds for a dental branch replacement building. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The \$10,000,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the

\$10,000,000 Revenue Financing System debt is expected to be approximately \$726,000. The institution's debt service coverage is expected to be at least 1.5 times and average 2.0 times over FY 2008-2013.

Previous Board Actions

Biomedical Research and Education Facility (BREF) - On August 10, 2006, the project was included in the CIP with a preliminary project cost of \$62,000,000 with funding of \$41,100,000 from PUF Bond Proceeds and \$20,900,000 from Gifts.

Dental Branch Replacement Building (DBRB) - On August 10, 2006, the project was included in the CIP with a preliminary project cost of \$80,000,000 with funding of \$18,000,000 from PUF Bond Proceeds, \$60,000,000 from Tuition Revenue Bond Proceeds, and \$2,000,000 from Gifts.

Mental Sciences Institute Replacement Facility - On November 11, 1999, the project was included in the CIP with a preliminary project cost of \$20,700,000 with funding from Unexpended Plant Funds. On August 9, 2001, the Board approved reducing the total project cost to \$16,500,000 with funding from Unexpended Plant Funds. On August 8, 2002, the Board approved increasing the total project cost to \$22,500,000 with funding of \$16,500,000 from Unexpended Plant Funds and \$6,000,000 from Hospital Revenues.

Research Park Complex - On November 16, 2006, the three projects were combined and redesignated as the U. T. Research Park Complex, and funding was revised with a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$19,500,000 from Unexpended Plant Funds, and \$22,900,000 from Gifts. With the adoption of the FY 2008-2013 CIP on August 23, 2007, the project scope was increased to include a parking garage and the funding was revised with a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$22,900,000 from Unexpended Plant Funds, \$2,000,000 from Gifts, and \$17,500,000 from Revenue Financing System Bond Proceeds. On August 23, 2007, the Board approved design development plans for the BREF portion of the project with a total project cost of \$64,000,000 with funding of \$41,100,000 from PUF Bond Proceeds and \$22,900,000 from Unexpended Plant Funds. On February 7, 2008, the Board approved the increase in total project cost for the BREF portion of the project from \$64,000,000 to \$77,280,739 with funding of \$41,100,000 from PUF Bond Proceeds and \$36,180,739 from Unexpended Plant Funds.

Project Description

Stage 2 of the project will construct the second building in the complex consisting of a six-story structure to house approximately 197,000 gross square feet of pre-clinical spaces such as classrooms, an auditorium, pre-clinical laboratories, the Learning Resources Center, and administrative space along with build-out and additional equipment within the Central Plant to serve the Dental Branch and associated site utilities and amenities for the remainder of the project site.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 45-50 years
- Building Systems: 25-30 years
- Interior Construction: 20-30 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with high-end commercial clinical and administrative space.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

13. **U. T. M. D. Anderson Cancer Center: Administrative Support Building - Phase 1, Administrative Support Building - Phase 2, Administrative Support Building - Phase 3, and Data Center Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to combine four projects and redesignate as the Administrative Support Building; approval to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the Administrative Support Building - Phase 1, Administrative Support Building - Phase 2, Administrative Support Building - Phase 3, and the Data Center Expansion projects at The University of Texas M. D. Anderson Cancer Center as follows:

Project Delivery Method: Design/Build
Substantial Completion Date: September 2012
Institutional Managed: Yes No

Total Project Cost: Administrative Support Building – Phase 1	<u>Source</u>	<u>Current</u>
	Hospital Revenues	\$161,695,000
	Revenue Financing System Bond Proceeds	<u>\$ 33,000,000</u>
		\$194,695,000

Total Project Cost: Administrative Support Building – Phase 2	<u>Source</u>	<u>Current</u>
	Hospital Revenues	\$ 8,976,000
	Revenue Financing System Bond Proceeds	<u>\$22,000,000</u>
		\$30,976,000

Total Project Cost: Administrative Support Building – Phase 3	<u>Source</u>	<u>Current</u>
	Hospital Revenues	\$20,031,000

Total Project Cost: Data Center Expansion	<u>Source</u>	<u>Current</u>
	Hospital Revenues	\$20,000,000

Total Combined Project Cost: Administrative Support Building (Project No. 703-404)	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Hospital Revenues	\$210,702,000	\$275,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 55,000,000</u>	<u>\$ 75,000,000</u>
		\$265,702,000	\$350,000,000

Investment Metrics:

- Begin vacating existing leases by 2012
 - Provide shell and core space by 2012 to accommodate future build-out space for the relocation of other existing leases
 - Provide shell and core space by 2012 to accommodate future build-out of space for the relocation of North Campus personnel
- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to combine the four projects and redesignate as the Administrative Support Building;
 - b. approve the increase in the total project cost from \$265,702,000 to \$350,000,000;
 - c. approve design development plans;
 - d. appropriate funds and authorize expenditure of funds in the amount of \$75,000,000 from Revenue Financing System Bond Proceeds and \$275,000,000 from Hospital Revenues;
 - e. approve the evaluation of alternative energy economic feasibility; and
 - f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. M. D. Anderson Cancer Center, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$75,000,000.

BACKGROUND INFORMATION

Debt Service

The \$75,000,000 in Revenue Financing System debt will be repaid from Hospital Revenues. Average annual debt service on the project is estimated at \$5,440,000. The institution's debt service coverage with the inclusion of this project is expected to be at least 4.7 times and average 5.1 times over FY 2008 - FY 2013.

Previous Board Actions

Administrative Support Building - Phase 1 - On August 11, 2005, the project was included in the CIP with a preliminary project cost of \$194,695,000 with funding of \$33,000,000 from Revenue Financing System Bond Proceeds and \$161,695,000 with funding from Hospital Revenues.

Administrative Support Building - Phase 2 - On August 11, 2005, the project was included in the CIP with a preliminary project cost of \$30,976,000 with funding of \$8,976,000 from Revenue Financing System Bond Proceeds and \$22,000,000 with funding from Hospital Revenues.

Administrative Support Building - Phase 3 - On August 22, 2007, the project was included in the CIP with a preliminary project cost of \$20,031,000 with funding from Hospital Revenues.

Data Center Expansion - On August 22, 2007, the project was included in the CIP with a preliminary project cost of \$20,000,000 with funding from Hospital Revenues.

Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

The project will construct a shell and core of approximately 1,353,000 gross square feet (GSF) and build out approximately 374,000 GSF. U. T. M. D. Anderson Cancer Center currently leases space in eight different locations in the vicinity of the Texas Medical Center. The multiple locations present a variety of issues including increased operating costs because of the need to maintain an extensive and costly shuttle system and decreased employee productivity because of time spent in transit from facility to facility. Projections indicate the need for additional support space as growth in patient care and research continues. The estimated net present value savings is \$10,200,000 to build rather than lease.

The growth rates have also resulted in the need for additional data processing infrastructure and hardware. The Administrative Support Building will include approximately 25,000 GSF for a new data center along with mechanical and electrical systems to support additional redundancy. The new data center will provide redundant capabilities for network systems and improve reliability for critical applications.

The Administrative Support Building provides the opportunity to vacate leases as they expire and consolidate departments that are currently separated into many disparate locations. In addition, growth space will be provided to meet the growth projections.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-60 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project

in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

14. U. T. Austin: Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and redesignate the project as Speedway Mall North of the Blanton Museum and South of Dean Keeton Street and East Mall/East Mall Fountain

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I project at The University of Texas at Austin as follows:

Project No.: 102-219
Project Delivery Method: Construction Manager at Risk
Substantial Completion Date: August 2012

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Gifts	\$11,000,000	\$130,000,000
	Designated Tuition	<u>\$ 1,000,000</u>	
		\$12,000,000	

- Investment Metrics:**
- Provide student gathering space along former Speedway roadway by 2012
 - Promote student services by 2012
 - Encourage participation in student organizations by 2012

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$12,000,000 to \$130,000,000;
- b. revise the funding sources from \$11,000,000 from Gifts and \$1,000,000 from Designated Tuition to \$130,000,000 from Gifts; and
- c. redesignate the project as Speedway Mall North of the Blanton Museum and South of Dean Keeton Street and East Mall/East Mall Fountain.

BACKGROUND INFORMATION

Previous Board Actions

On November 5, 2004, the project was included in the CIP with a total project cost of \$12,000,000 with funding from Gifts. With the adoption of the FY 2008-2013 CIP on August 23, 2007, the funding was revised to \$11,000,000 from Gifts and \$1,000,000 from Designated Tuition.

Project Description

The Campus Master Plan, published in 1999, lays out a framework for enhancing the campus while maintaining a focus on reestablishing the sinews of community among students, faculty, and staff in an environment conducive to academic life in all respects. Transforming Speedway Avenue to become the major new informal social space of the central campus is identified by the Campus Master Plan as the most important public space initiative.

Sixty years of growth separate the 1999 Campus Master Plan by Cesar Pelli & Associates, renamed Pelli Clarke Pelli Architects, from the previous campus plan by Paul Cret. During that time, U. T. Austin's infrastructure grew from 14 buildings to a sprawling 369-acre campus with 139 buildings of more than 12.5 million square feet.

Cret's Master Plan organized the original 40 acres with a strong east-west and north-south axis using carefully defined malls. The Main Building's Tower anchors the intersection of these malls. That axial plan is still the dominant organizing element for the campus even though the geographic center of campus has shifted. The current Campus Master Plan for U. T. Austin retains the ideals established by Cret but places emphasis on the new geographic center of campus, which is where the East Mall intersects Speedway Avenue.

Over the past nine years, U. T. Austin has made significant progress toward implementing the seven objectives and organizing principles of the 1999 Campus Master Plan. Many new construction infill and addition/renovation projects have been completed, are under construction, or are in the design or planning stages. The Student Activity Center/Phase I - Liberal Arts Project, which, in part, was recommendation 10 of the Commission of 125 Report/Task Force, is currently on the CIP with completion scheduled in 2011. Other new construction and renovation projects slated for this central area include the Experimental Science Building, Dell Computer Science Hall - Phase 1, Computer Sciences Building - Phase II, Phase II Liberal Arts Building, Geology Building Addition, and the Renovation of E. P. Schoch Building.

The Speedway Mall project would be the single most significant and comprehensive step to enabling and fulfilling five of the seven objectives and organizing principles of the 1999 Campus Master Plan, which include returning the core campus to pedestrians and keeping vehicular traffic to the edges of the campus; establishing a community of landscaped open spaces, working in concert with buildings to extend and reknit the

campus; establishing new centers of student activity, reinforcing housing and academic uses to enhance a full on-campus life; concentrating future construction in the core campus rather than on the fringes; and enhancing public perceptions of and access to the campus through strengthened identity and wayfinding programs.

The project will provide pedestrian traffic enhancements and landscape improvements for Speedway Avenue from the Jack S. Blanton Museum of Art to East Dean Keeton Street and the East Mall from Inner Campus Drive to San Jacinto Boulevard, including the East Mall Fountain. The project scope involves grade changes for access to the buildings along the route, extensive utility upgrades, lighting and power improvements, construction of plazas and related food service, wireless access, and landscape enhancements. The project will offer a central point of multiple activities and services, which will enrich the campus experience for students, faculty, staff, and visitors. In addition, it will ensure the survivability of the endangered mature oak trees that line Speedway. The entire project area encompasses almost 16 acres and will be divided into six stages to minimize the overall impact that construction will have on day-to-day operations at U. T. Austin. This staged project is expected to take seven to eight years to complete.

Converting Speedway Avenue and the East Mall into a pedestrian space offers many opportunities to enrich the lives of students including a place for students to gather informally, an area where student services and student organizations can be promoted, a place for campus-wide festivals, and spaces where scheduled performances by student music or dance groups can occur both during the day and at night. This campus transformation is seen as making a significant contribution to the learning experience for all U. T. Austin students.

The current total project cost of \$12,000,000 was an early estimate for the work to replace the East Mall Fountain only. Since their appointment in early 2006, the Project Architect, Booziotis and Company Architects with Peter Walker and Partners Landscape Architects, have developed the fountain design, in addition to a plaza adjacent to the fountain. Together with the Construction Manager at Risk, Flintco, Inc., more accurate cost estimates have been developed for the work. However, the current request to increase the total project cost is not just an increase in the scope of work for the first phase fountain area, but conceptual designs and cost estimates have also been completed for the scope of work for the total 16 acres of intensive landscape development along the rest of the East Mall from San Jacinto Boulevard to Inner Campus Drive, including the East Mall Fountain, plus the entire length of Speedway Avenue from the Blanton Museum to Dean Keeton Street. The full scope had been part of the conceptual design, but good estimates for this landscape development have not been available until now. The total project cost estimate for all portions of the work, including the fountain, is \$130,000,000.

The project is anticipated to be completed in six stages. As gift funding is identified sufficient to fund a project stage or stages, the project will be brought back to the U. T. System Board of Regents for design development approval for that stage or those stages.



**TABLE OF CONTENTS
FOR
STUDENT, FACULTY, AND STAFF CAMPUS LIFE
COMMITTEE**

Committee Meeting: 5/14/2008
Tyler, Texas

James D. Dannenbaum, Chairman
John W. Barnhill, Jr.
Printice L. Gary
James R. Huffines
Michael Swindle, Chair, Employee Advisory Council
Ted Pate, Chair, Faculty Advisory Council
Tommy Thompson, Chair, Student Advisory Council

	Committee Meeting	Page
Convene	4:30 p.m. <i>Chairman Dannenbaum</i>	
U. T. System: Annual Meeting with Officers of the U. T. System Student Advisory Council	4:30 p.m. Report <i>Mr. Tommy Thompson Mr. Stephen Myers Mr. Jaime Villaneuva Mr. Sean Paul Mr. Andrew Solomon</i>	142
Adjourn	5:30 p.m.	

U. T. System: Annual Meeting with Officers of the U. T. System Student Advisory Council

The U. T. System Student Advisory Council will meet with the Board of Regents to discuss accomplishments of the Council and plans for the future. The Council's recommendations are on Pages 143 - 147. Also attached on Pages 148 - 155 is a chart showing the status of prior recommendations from the Council.

AGENDA

1. Executive and Standing Committee Member Introductions
2. Chairperson's Report and Overview
3. Executive Committee and Standing Committee Remarks and Recommendations

Council members scheduled to attend are:

Chair: Mr. Tommy Thompson, U. T. San Antonio, Management

Academic Affairs Committee: Mr. Stephen Myers, U. T. Austin, Government

Student Involvement and Campus Life Committee: Mr. Jaime Villanueva, U. T. San Antonio, Mathematics

Graduate and Health Affairs Committee: Mr. Sean Paul, U. T. Health Science Center - San Antonio, Medicine

Financial and Legislative Affairs Committee: Mr. Andrew Solomon, U. T. Austin, Radio-Television-Film

BACKGROUND INFORMATION

The U. T. System Student Advisory Council was established in 1989 to provide input to the U. T. System Board of Regents working through and with the Chancellor and U. T. System Administration on issues of student concern. The operating guidelines of the Council require that recommendations have a multi-institutional focus and that the Council explore individual campus issues with institutional administrators prior to any consideration thereof. The Student Advisory Council consists of two student representatives from each U. T. System institution enrolling students, and meets three times yearly in Austin. The Standing Committees of the Council are: Academic Affairs, Student Involvement and Campus Life, Graduate and Health Affairs, and Financial and Legislative Affairs.



*Student Advisory Council
Thomas J. Thompson, Chair
One UTSA Circle
San Antonio, Texas 78249*

March 29, 2008

Chancellor Mark G. Yudof
Chancellor, University of Texas System
601 Colorado St.
Austin, TX 78701

Dear Chancellor Yudof:

I would first like to thank you for giving a voice to the students through The University of Texas System Student Advisory Council. Begun in 1989, this council of students allows The University of Texas System Board of Regents to obtain further suggestions, ideas and plans brought by our members. In its current configuration, this fantastic opportunity allows two members of each University of Texas System institution the opportunity to voice their concerns and offer support within our four standing committees; Academic Affairs, Student Involvement and Campus Life, Financial and Legislative, and Graduate and Health Affairs.

Additionally, I would like to offer my thanks and bring to light the hard work of the members that served on the 2007–2008 U. T. System Student Advisory Council. Attached are the recommendations that represent the hard work and dedication to excellence of these members. You will see that they represent a variety of issues, each affecting many campuses in the U. T. System.

Finally, I would like to express my deep gratitude to Dr. Edward Baldwin and Dr. Jim Studer for their continued hard work, guidance, and dedication. Without their support, none of what we do could be possible.

I look forward to presenting our recommendations to the Board of Regents in May.

Sincerely,

Thomas J. Thompson
Chair

Prepared for the Student Advisory Council
by the Office of Academic Affairs
March 2008

**THE UNIVERSITY OF TEXAS SYSTEM STUDENT ADVISORY COUNCIL
RECOMMENDATIONS TO THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS
SYSTEM**

After careful consideration, we the members of The University of Texas System Student Advisory Council (SAC), respectfully submit the following recommendations to The University of Texas System Board of Regents. These recommendations concern a wide variety of students at multiple institutions in The University of Texas System.

Academic Affairs Committee

Recommendation 1

Each campus should model the on-line course instructor and course evaluation survey results tool used at The University of Texas at Dallas. The course instructor and course evaluation surveys should be linked to the on-line course catalog and be made readily available to students during registration periods from the registration menu.

The U. T. Dallas course instructor and course evaluation survey tool can be found on-line at: <http://www.utdallas.edu/lookup/>.

The Academic Affairs Committee found that U. T. System institutions currently do an adequate job of collecting student feedback through course instructor and course evaluation surveys. However, campuses do an inadequate job of making the results from these surveys available to students. Such information will be helpful to students during the course selection process, as it will allow them to assess a professor's teaching style and ability as well as the effectiveness of a particular course.

Recommendation 2

Each campus should implement a policy encouraging professors to post course syllabi on-line preferably before the first registration period but at least before the first day of class.

Course syllabi provide important information (i.e. grading policies, assignment due-dates, examination dates, and course procedures) that can help students make informed decisions about courses. There are various benefits to helping students make well-informed choices during the course selection process, including better student performance in class, fewer dropped classes, and more timely graduation rates.

Recommendation 3

A recommendation from the 2004-2005 Academic Affairs Committee of the Student Advisory Council encouraged each institution to develop and promote an honor code. We reiterate our support for this idea and ask again that it be made a priority at the U. T. System level. Each campus president should be charged with the task of convening a group of students, faculty, staff, and administrators to develop and implement an honor code.

A well developed and integrated honor code demonstrates the significance institutions place on academic integrity, ethics, and civility. Research also shows the positive effects a well-integrated honor code can have when it comes to curbing scholastic dishonesty among students. Currently only a very few of the U. T. System's institutions have an honor code of some kind.

Student Involvement and Campus Life Committee

Recommendation 4

Concerned with campus safety, we request that each institution implement a criminal emergency response system in order to avoid additional potential crimes against students on campus. We ask the U. T. System to look at the possibilities of a Shared Services Contract in order to keep costs low when shopping for a criminal emergency response system.

The U. T. System should consist of a three tier communication process that protects student privacy. Students should have the ability to opt out of any emergency response system put in place.

First Tier- These are first response crimes, examples of murder, aggravated assault, and sexual offense. The main issue with reporting these crimes comes when the suspect is at large and can harm other students.

Second Tier- These are viewed as person-to-person crimes where the suspect is caught or there is not a potential to harm other students.

Third Tier- These actions occur when property or other crimes are committed where the potential danger to other students is minimum or rare.

We ask that First Tier crimes be reported immediately to students using a system like Reverse 911 using a voice call or text message. Second tier crimes should be reported using university email within twelve hours of the given crime. Third tier crimes should be reported on a weekly basis in order to keep students aware of potential crimes.

Graduate and Health Affairs Committee

Recommendation 5

We commend the report from the Task Force on Doctoral Education and Post-Doctoral Experience. To continue this goal of improving the doctoral education and post-doctoral experience and to better recruit and serve graduate students, graduate housing must be addressed for graduate students.

The report is a great start toward positively impacting the graduate student experience; however the report did not thoroughly address the importance of appropriate and affordable housing options for U. T. System graduate students.

Recommendation 6

We recommend that a student representative from the SAC be included in the evaluation, analysis, and investigation of developing a standard of student health care for undergraduate, graduate, and professional students. Once established, the standard should be a required goal for each of the student health care facilities in the U. T. System.

We support the review of student health centers of the U. T. System to evaluate adequate and appropriate health clinics for students. Student representatives at each institution should be consulted to assure that campus specific needs be met.

Financial and Legislative Affairs

Recommendation 7

Conduct a survey to ascertain the adequacy of student health insurance in the U. T. System. The results of this survey should be used to study the possible development of a Tiered Health Insurance System with options for additional coverage for students with specific needs.

We acknowledge that a survey is being conducted for graduate students but recommend that a health insurance survey be conducted for undergraduate and professional students as well.

This survey would be an opportunity to explore the unique health care needs of our diverse student population, and that it would lead to better solutions of providing appropriate health insurance options.

A member of SAC, as well as a Student Health Coordinator Representative should be included in the design, bid process, collection of data, analysis, bid process, and distribution of results to all campuses.

Recommendation 8

Concerned with the Archer Center, we wish to express our support for the program, and encourage the U. T. System to offer a similar program during the summer whether it is an abbreviated version of the Archer Fellowship or a new service targeted specifically for summer students, when more students are likely to take time away from their home institution.

SAC believes that the Archer program is a positive experience for its participants; we only wish that more students were able to participate in the Archer Program.

Currently, the Archer Program is only offered during the fall and spring semesters. At this time only undergraduate students are allowed to participate in the Archer Program. We feel that the U. T. System should also offer a program that graduate students are eligible for in Washington, D.C.

Recommendation 9

We recommend that U. T. System and its Governmental Relations office institute a policy to effectively communicate legislative issues to student leaders during the next legislative session. We recommend that students be designated as campus liaisons in the information-sharing process.

During a legislative session it is difficult for students to stay up-to-date on new legislation that could potentially affect them. This is especially true for students not at the U. T. Austin campus.

Often times, students do not know about a piece of legislation until it has already been enacted. Student leaders may not find out about an important committee hearing on a bill until it is too late for them to actively engage their student body.

In addition to the nine recommendations presented above, the SAC wishes to express its strong disagreement with the U. T. Board of Regents in regards to the tuition cap that was voted on in December of 2007.

We acknowledge that outside forces, such as the Texas legislature, played a factor in the Regents' decision making. The SAC also acknowledges the difficult balance between excellence and affordability.

We appreciate the previously set tuition-setting process that involves a collaborative effort between students, faculty, the administration, and the University presidents before a recommendation is sent to the Board of Regents. We do not believe that the process was followed this year, and we believe it has diminished the student collaboration in this process.

We also believe that a universal cap set on all U. T. institutions in response to a tuition proposal from U. T. Austin does not take into consideration the diversity of the schools with the U. T. System and the diverse needs at each school.

As students, we look forward to working with the Board of Regents on future decisions regarding tuition.

Prepared for the Student Advisory Council
by the Office of Academic Affairs
March 2008

Student Advisory Council Recommendations
Two Year Cumulative List/Update

Subject	Recommendation	System Administration Response
<p>Investigate the effectiveness of current anti-drug efforts at our health institutions</p> <p>May 11, 2006 Board Meeting Recommendation #1</p>	<p>Institute random drug testing to those students who are directly involved in patient care and investigate the effectiveness of current anti-drug efforts at our health institutions</p>	<p>The Office of Health Affairs has surveyed the health institutions and found that those students who are involved in direct patient care are randomly tested by the facilities where they work. Under the <i>Drug Free Schools and Campus Act</i> regulations 34CFR 86.1 our institutions are already required to promote Student Health Service Programs about drug rehabilitation.</p> <p><i>Status: Acknowledged and completed.</i></p>
<p>Tuition Guarantees</p> <p>May 11, 2006 Board Meeting Recommendation #2</p>	<p>Ask all institutions to begin setting tuition locks or guarantees for incoming students based on their academic program's expected time of completion</p>	<p>A tuition guarantee policy may not make sense for all institutions. In general, the policies are designed for, and benefit, the traditional full-time university student who may be able to complete the degree programs in four or five years. At many U. T. System institutions, large numbers of part-time and nontraditional students would derive no benefit from such a policy. To date, two academic institutions are using tuition guarantees.</p> <p>In fall 2006, qualified freshmen, at U. T. El Paso had the option of selecting a guaranteed tuition rate for four years. Beginning fall 2007, incoming freshmen at U. T. Dallas are given a tuition guarantee for four years. Other undergraduates were given the opportunity to opt in to the guarantee. In fall 2008, entering graduates will be given a four year tuition guarantee.</p> <p><i>Status: Acknowledged and sent to individual institutions for discussion.</i></p>

<p>Standardize dates for the tuition setting process May 11, 2006 Board Meeting Recommendation #3</p>	<p>Implement standard dates for the tuition setting process at each institution</p>	<p>The tuition-setting process was designed to be flexible to allow each institution to set timelines based on due dates to U. T. System and the institutions' own academic calendar. <i>Status: Acknowledged.</i></p>
<p>Online Degree Audit Plan Evaluation May 11, 2006 Board Meeting Recommendation #4</p>	<p>Require an online degree audit plan evaluation tool at each institution</p>	<p>In 2006, U. T. System academic institutions were in different stages of implementation of an online degree evaluation tool. To date, eight of the nine academic institutions have a system in place and the ninth academic institution is currently beta testing a system. <i>Status: Acknowledged and completed.</i></p>
<p>Advising Accountability May 11, 2006 Board Meeting Recommendation #5</p>	<p>Require advising accountability</p>	<p>Academic advising needs to be improved. At most campuses the bulk of advising, at the undergraduate level, is done by staff rather than by faculty. For faculty members, advising is part of the promotion and tenure process. For staff advisers we will determine whether or not we have a sufficient career line developed. <i>Status: Acknowledged and ongoing.</i></p>
<p>Course Transfer Equivalency Guide May 11, 2006 Board Meeting Recommendation #6</p>	<p>Develop a Transfer Equivalency Guide that is useable by all U. T. System Schools</p>	<p>The Office of Academic Affairs will ascertain the state of course equivalency guides at each institution and will determine if this service is best provided on each campus, centrally, or in combination. <i>Status: Acknowledged and ongoing. Many institutions have already developed online equivalency guides which allow students to check courses from and to institutions, including community colleges, for which transfers are common.</i></p>

<p>Communications Portal for Student Leaders within U. T. System schools</p> <p>May 11, 2006 Board Meeting Recommendation #7</p>	<p>Create and moderate a network (similar to the U. T. System Student Advisory Council (UTSAC) portal) to facilitate communications within the U. T. System schools</p>	<p>The Office of Academic Affairs will test using the already created U. T. System Student Advisory Council (UTSAC) portal for this purpose. Most of members of UTSAC are already the student leaders for their campuses.</p> <p><i>Status: Acknowledged and ongoing.</i></p>
<p>24 hour quiet study facility</p> <p>May 10, 2007 Board Meeting Recommendation #1</p>	<p>Establish an on-campus 24-hour quiet study facility to students at all U. T. System schools</p>	<p>This recommendation is best addressed at the campus level. Each campus will be guided by available resources. Some campuses have already established 24 hour on-campus quiet study facilities.</p> <p><i>Status: Acknowledged and sent to individual institutions for discussion.</i></p>
<p>Study Days</p> <p>May 10, 2007 Board Meeting Recommendation #2</p>	<p>Implement study days before final examinations</p>	<p>This recommendation is best addressed at the campus level. Each campus will be guided by available resources. Some campuses have already established study days before final examinations.</p> <p><i>Status: Acknowledged and submitted to individual institutions for discussion. Most of the academic institutions have study days, while others have days when limited exams are given.</i></p>
<p>University Supported Recycling Programs</p> <p>May 10, 2007 Board Meeting Recommendation #3</p>	<p>Require all institutions to have a university-supported recycling program</p>	<p>This recommendation is best addressed at the campus level. Some campuses have already established university-supported recycling programs.</p> <p><i>Status: Acknowledged and sent to individual institutions for discussion.</i></p>

<p>Tuition Information May 10, 2007 Board Meeting Recommendation #4</p>	<p>Encourage all U. T. System institutions to make tuition information more readily available to Texas students and families</p>	<p>Since the Legislature granted tuition-setting authority to public university governing boards in 2003 one of the top priorities of the U. T. System Administration is to provide transparency in the tuition-setting process.</p> <p>A recently launched web page, "Access and Affordability", contains information about tuition and the tuition setting process. Information on a particular campus is 2 mouse clicks away.</p> <p>To aid in that effort, each campus has a "Tuition at Work" web site containing information on how student tuition dollars are advancing excellence at the institutions.</p> <p>Also included on this web site is a link to "Texas College Money" which will help students calculate the cost of college attendance at any of the U. T. System schools.</p> <p><i>Status: Acknowledged and completed.</i></p>
<p>Textbook Lists May 10, 2007 Board Meeting Recommendation #5</p>	<p>Require that all U. T. System institutions maintain and publish book lists in a timely manner to allow students the opportunity to purchase their textbooks from multiple venues</p>	<p>It should also be pointed out that at some institutions and in some departments this practice is already in place. In addition U. T. System has created a task force on textbook affordability.</p> <p><i>Status: Acknowledged and sent to individual institutions for discussion.</i></p>
<p>Bundled Textbooks May 10, 2007 Board Meeting Recommendation #6</p>	<p>Discourage the purchase of bundled textbooks in cases where there are purchasing options and not all of the contents of the bundle are required by the professor</p>	<p><i>Status: Acknowledged and sent to individual institutions for discussion. In addition U. T. System has created a task force on textbook affordability</i></p>

<p>Additional Course Charges</p> <p>May 10, 2007 Board Meeting Recommendation #7</p>	<p>Special notation for course charges over \$50 not included in tuition and fees</p>	<p><i>Status: Acknowledged and submitted to individual institutions for discussion.</i></p>
<p>Tax-free Textbooks</p> <p>May 10, 2007 Board Meeting Recommendation #8</p>	<p>Actively support tax-free textbooks</p>	<p>Legislation that would have extended tax exempt status for textbook purchases did not make its way through the legislative process. Please be reminded that officials and staff of U. T. System and its member institutions serve only as resource witnesses and by law, would only be able to comment on the effects of the bill.</p> <p><i>Status: Acknowledged</i></p>
<p>Early Voting</p> <p>May 10, 2007 Board Meeting Recommendation #9</p>	<p>Encourage U. T. System campuses to engage city and county officials to ensure that each campus has a polling location and the option for early voting on campus</p>	<p><i>Status: Acknowledged and sent to individual institutions for discussion.</i></p>

<p>Student Representative on the Texas Higher Education Coordinating Board</p> <p>May 10, 2007 Board Meeting</p> <p>Recommendation #10</p>	<p>Support having a student on the Texas Higher Education Coordinating Board</p>	<p>Senate Bill 1007 by Representative West, passed during the 80th Legislative Session, provides for student representation at several levels. One student will sit on the full Board and not less than four student representatives will sit on designated advisory committees of the Board, including the Common Application Advisory Committee, the Distance Education Advisory Committee, the Financial Aid Advisory Committee, the Undergraduate Education Advisory Committee, the Transfer Issues Advisory Committee, or any other advisory committee created to address the needs of higher education, including committees addressing financial aid, student services, and undergraduate education needs.</p> <p><i>Status: Acknowledged and implemented by the 80th Texas Legislature.</i></p>
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<p>Support for Graduate Students</p> <p>May 10, 2007 Board Meeting Recommendations #11, #12, #14</p>	<p>Graduate student recruitment and financial assistance</p> <p>Provide access to health insurance to all graduate students</p> <p>Provide adequate support for graduate student academic employees</p>	<p>The University of Texas System Strategic Plan was designed to help ensure that the U. T. System, the State of Texas, and the nation will be competitive in the 21st century. Strong doctoral and post-doctoral programs are necessary for the U. T. Systems' strategic goals. The U. T. System convened the Task Force on Doctoral Education and the Post-doctoral Experience in June 2006. Among the charges to The Task Force were</p> <ul style="list-style-type: none"> • Identify the most critical areas for improvement in the quality of doctoral and post-doctoral programs within the U. T. System. • Recruit, retain, and graduate more doctoral students and post-doctoral trainees in support of the <i>U. T. System Strategic Plan 2006-2015</i> and the State's <i>Closing the Gaps</i> initiative. • Enhance the value and contributions of doctoral and post-doctoral programs to their institutions, the U. T. System, and the state. • Increase the competitiveness and prestige of the U. T. System's research, education, and service programs. <p><i>Status: Acknowledged. The Board has just adopted the recommendations of the Task Force and the Offices of Health Affairs and Academic Affairs have begun to implement those recommendations.</i></p>
<p>Graduate International Study Programs</p> <p>May 10, 2007 Board Meeting Recommendation #13</p>	<p>Expand graduate student international study programs</p>	<p>The issue of international study programs will be addressed in the Global Initiatives activities which are a part of the U. T. System Strategic Plan. The Offices of Strategic Management, Academic Affairs and Health Affairs have already begun planning for this initiative.</p> <p><i>Status: Acknowledged and ongoing.</i></p>

<p>Graduation Rates May 10, 2007 Board Meeting Recommendation #15</p>	<p>Help improve graduation rates</p> <ul style="list-style-type: none"> • Define full-time and what is full-time status and timelines for degrees • Decrease the student-to-advisor ratio • Increase the availability of prerequisite courses 	<p>Raising graduation rates is a top priority of the Board of Regents. U. T. System institutions are involved in various campus level activities designed to raise graduation rates on their individual campuses.</p> <p>Since 2003, the U. T. System's academic campuses hired more than 370 faculty and additional advisors and graduate assistants. More than 470 courses were also added. By adding these positions, the campuses intend to enhance the personal attention students receive. The new courses offer students more flexible schedules, including early-morning, evening and weekend classes. With these improvements, the academic campuses hope to raise student graduation rates and increase on-time graduation.</p> <p><i>Status: Acknowledged and ongoing.</i></p>
<p>Diversity May 10, 2007 Board Meeting Recommendation #16</p>	<p>We strongly encourage all U. T. System institutions to conduct a survey to explore and share best practices for incorporating diversity into the culture of the university.</p>	<p>Issues involving diversity are handled by the Student, Faculty, Staff, and Campus Life Committee of the Board of Regents. The Committee biannually hears reports on the diversity efforts at each of the U. T. System's campuses.</p> <p><i>Status: Acknowledged.</i></p>