

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

February 3-4, 2004

Brownsville, Texas

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Francie A. Frederick
Counsel and Secretary to the Board
April 28, 2004

MINUTES
U. T. Board of Regents
Audit, Compliance, and Management Review Committee
February 3, 2004

The members of the Audit, Compliance, and Management Review Committee of the Board of Regents of The University of Texas System convened at 10:30 a.m. on Tuesday, February 3, 2004, in El Gran Salón of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Regent Estrada, presiding
Vice-Chairman Clements
Regent Craven
Regent Hunt
Regent Krier

Also present were Regent Barnhill, Regent Huffines, and Counsel and Secretary Frederick.

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

The Committee recessed to Executive Session at 10:35 a.m. in the Gardenia Room of the Student Union at U. T. Brownsville pursuant to Texas Government Code Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda as follows:

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

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

The Executive Session ended at 10:55 a.m., and the Committee reconvened in Open Session.

1. **U. T. System: Approval to hire External Auditor for 2004 UTIMCO Funds Audit**

Committee Meeting Information

Presenter(s): Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer

Status: Approved

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

Agenda Item:

RECOMMENDATION

The Audit, Compliance, and Management Review Committee will discuss and make a recommendation regarding approval to renew the auditing services contract with Ernst & Young, LLP, to perform audits for the Fiscal Year ending August 31, 2004, for funds managed by The University of Texas Investment Management Company (UTIMCO), as listed below:

1. Permanent University Fund (PUF)
2. The University of Texas System General Endowment Fund (GEF)
3. Permanent Health Fund (PHF)
4. The University of Texas System Long Term Fund (LTF)
5. The University of Texas Short Intermediate Term Fund (SITF)

In addition, approval is requested from the Board for U. T. staff to negotiate with Ernst & Young, LLP, to provide additional audit services related to UTIMCO, including UTIMCO's voluntary implementation of the Sarbanes-Oxley Act of 2002.

BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and SITF rests with the U. T. Board of Regents. Section 66.08 of the Texas Education Code requires that U. T. System have an annual financial audit performed of the PUF.

A Request for Qualifications (RFQ) was distributed by U. T. System staff in April 2003. Four proposals were received. After a review of the proposals and firm interviews by Committee Chairman Estrada and U. T. System staff, the Board of Regents, at the July 7, 2003 Board of Regents meeting, authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP. The contract was for one year with a right to renew in one-year increments for four years. The Fiscal Year ending August 31, 2004, is the first year this contract has been up for renewal.

Discussion at Meeting:

Regent Estrada asked if the existing contract provides for an extension of that contract or whether a new contract has to be renegotiated.

Mr. Chaffin responded the contract was for one year with the right to renew in one-year increments for four years so they have to come back to the Board every year but do not have to go through the RFP process each time.

Regent Estrada asked if the additional consultation work was a permitted amendment to that contract, and Mr. Chaffin responded yes.

2. **U. T. System: Report on the 2003 Annual Financial Report and the State Auditor's Office Financial Statement Audits of six components**

Committee Meeting Information

Presenter(s): Mr. Wallace and Mr. Green
Status: Reported

Agenda Item:

REPORT

The State Auditor's Office is conducting a statewide financial audit on the state's Comprehensive Annual Financial Report (CAFR) for the year ended August 31, 2003. The State Auditor's Office is required to express an opinion on major funds in addition to the overall opinion on the state's CAFR. One of those major funds is an enterprise fund that reflects the operations and balances of all Texas public universities.

Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, will discuss the overall process of the Annual Financial Report preparation and compilation, including certifications and representations made by the U. T. component institutions.

Mr. Kelton Green, Managing Senior Auditor, State Auditor's Office, will provide an update on the statewide financial audit the State Auditor's Office conducted for the year ended August 31, 2003. The update will highlight and discuss any issues noted at the U. T. components that were part of that audit.

The State Auditor selected the following institutions for work to be performed in this financial audit: The University of Texas System Administration, The University of Texas at Arlington, The University of Texas at Austin, The University of Texas M. D. Anderson Cancer Center, The University of Texas Southwestern Medical Center at Dallas, The University of Texas Medical Branch at Galveston, and The University of Texas Health Science Center at Houston.

Discussion at Meeting:

Mr. Wallace said as part of consolidating the individual reports into one, he asks each Chief Financial Officer at the individual components to sign a Management Representation Letter, which states that the financial statements and footnotes prepared for their individual institutions are fairly represented and in conformance with the Governmental Accounting Standards Board (GASB), except where State Comptroller reporting requirements instruct to deviate. He said he expects the Management Letter to change once the spirit of Sarbanes-Oxley is implemented.

Mr. Wallace said the consolidated report is submitted on November 20 to various outside agencies and is posted on the Web for public inspection. He said the U. T. System consolidated report is part of the CAFR.

Mr. Green said the purpose of the audit is to check line item(s). He said the State Auditor's Office (SAO) employs an in-house developed program called ACES (Audit Control and Evaluation System), a risk-based system used to determine material or significant line items across the state they need to focus on.

Mr. Green said as far as U. T. System is concerned, results of the audit report are positive. He said no adjustments were proposed to the U. T. numbers for the Statewide Report. U. T. components documented and monitored internal control processes, which helps ensure assets are safeguarded, operations are recorded properly, and financial reports are accurate. The few issues identified during fieldwork were discussed with component management and did not result in findings. An issue was identified at one component that may be included in the Statewide Management Letter, which is still in draft form at this time and being discussed with component executive management. The issue is expected to be finalized in the middle of February.

On behalf of the auditors on this project, as well as executive management at the SAO, Mr. Green expressed appreciation for cooperation received across the U. T. System. He said U. T. employees seem to understand the processes and why the controls are in place. Regent Estrada asked that on behalf of the U. T. System, appreciation be extended to audit staff and the entire Audit Office for their excellent cooperation.

Regent Estrada wondered how SAO findings compared to those of outside auditors at U. T. M. D. Anderson Cancer Center. Mr. Green responded the SAO is working with Deloitte & Touche to ensure they are both on the same page. As part of the audit, SAO is relying on the opinion of a Fiscal Year 2003 audit.

Regent Estrada asked if the SAO is continuing to develop more facts on the audit letter for all the components or just the one individual component. Mr. Green said at this point, they plan to include any results in the Statewide Management Letter, and everything is positive.

3. **U. T. System: Report on Status of Sarbanes-Oxley Initiative**

Committee Meeting Information

Presenter(s): *Mr. Chaffin and Mr. Wallace*

Status: *Reported*

Future Action: *An RFP will be drafted to address a proposal for obtaining an external audit of U. T. System for Fiscal Year 2005.*

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, will update the Audit, Compliance, and Management Review Committee on the status of the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002. The Action Plan was approved by the Committee on November 12, 2003.

Discussion at Meeting:

Mr. Wallace said that a Task Force was appointed last September/October following the August Board meeting to develop an action plan for implementing the spirit of Sarbanes-Oxley. The action plan was approved by the Committee last November. A subcommittee of the Sarbanes-Oxley Task Force met on January 12, 2004, to address several action steps. A major discussion of that meeting was to establish a comprehensive model including work of external auditors, internal auditors, State auditors, and Southern Association of Colleges and Schools (SACS), providing the Committee with positive assurance concerning management certification and integrity of the financial statements.

Mr. Wallace said a couple of factors have led to consideration of an external audit performed by a public accounting firm with college/university experience including:

1. *SACS is no longer requiring a financial audit for accreditation purposes.*
2. *The State Auditor's Office (SAO) is focusing on line items that are material for the Statewide Comprehensive Annual Financial Report (CAFR), and that level of assurance may not be what is thought for the individual components. Audits performed by internal audit staff of U. T. System*

are not truly independent, and the majority of the staff has no financial auditing background. They perform primarily internal controls and operational audits.

As a result, Mr. Wallace said the Task Force recommends issuing a Request for Proposals (RFP) for obtaining an external audit for Fiscal Year 2005.

Mr. Chaffin said that with Board approval this would be the first comprehensive audit of U. T. System in well over 15 years. He said none of the other systems have had a financial audit during that period of time. The audit is being proposed for the year ending August 31, 2005, to ensure U. T. System is prepared for such a financial audit.

Committee Chairman Estrada asked what the optimal timetable was in order to achieve this initiative.

Mr. Chaffin responded that the reason for asking for the RFP at this time would be so that the next two months could be spent preparing the RFP, meeting with the public accounting firms, receiving responses, with the idea of coming back in May with selection of a firm. He said the ultimate decision is with the Committee, and that is the way the charter is set up. That then would allow the accounting firm to become informed about the U. T. System in the summer. Closing the books is labor intensive, and the accounting firm needs to know what U. T. System is doing.

Mr. Chaffin said the accounting firm would work with U. T. System next fall and then do interim work during the school year of 2005 so the audit would be 80 to 90% finished by August 31, 2005, when the books are being closed. The firm would be able to express an opinion and sign off on financial statements around November 2005. At the point the financials are sent to the Comptroller's Office, the accounting firm could say they are fairly presented, and then the audited financial statements would come before the Board in November 2005.

Regent Estrada asked if other systems of this size and scope that are undertaking similar endeavors had been investigated, as well as the capability of existing firms in the industry to take on that kind of a massive undertaking.

Mr. Chaffin said yes, all the private schools in the State of Texas are audited, and several of the firms participate in their process. On a national basis, the University of California System has had an independent audit for several years and most of the institutions around the country have independent financial audits. Texas is one of the few states that the audit is of the state itself, so the research related to the ability of accounting firms to do this type of work has already been done, and basically they have to have expertise in higher education and health care.

Regent Huffines asked if Mr. Chaffin was aware of any other public institutions in the state that are considering this at this time besides U. T. System.

Mr. Chaffin responded that there was a period of time when SACS was requiring an independent financial audit so both Texas Tech University and Texas Tech University Health Sciences Center on an individual basis have had independent audits within the last two years. The U. T. System is leading the way with the spirit of Sarbanes-Oxley and is ahead of the others in terms of an independent audit. Texas A&M University is a few months behind U. T. System. Mr. Wallace said all of the public community colleges in Texas are issued an audit, and about 51 receive an audit of their financial statements every year.

Regent Estrada asked if a Sarbanes-Oxley type of letter from the Chief Financial Officer and the President are anticipated from each component. Mr. Wallace responded it is included in the action plan and is one of the items being addressed in a Business Procedures Memorandum (BPM). He mentioned the current representation will probably change, and he anticipates some representation. Regent Estrada said that it is very ambitious but certainly possible.

Regent Krier said she continues to be concerned about timing of monthly financial reports. For example, the October unaudited financial report is being reviewed in February. In the past, she has been told that there is not a more current report. In light of that, she asked whether it is realistic for an audit closing in August to be completed by November. Mr. Wallace responded that financials had to be filed by November 20, and the deadline is tight every year. He is not sure the audit firm will have their management letter finished by November 20, but will probably have the financials audited and can provide some preliminary indications of the results. The management letter may not be issued until January before the February Board meeting. Regent Krier asked if the November 2005 report would be a preliminary report, and Mr. Wallace said yes.

Regent Estrada said he was hopeful that the process, which includes the wisdom of retaining an outside auditor a year in advance of the audit, will let business officers and individual components know the expectations and kind of reports and numbers needed in a timely fashion and will probably have a beneficial effect across U. T. System and lead to faster, unaudited numbers.

Mr. Wallace wanted to clarify that a financial report would be prepared for November, but there would be no analysis or asking of questions in order to meet the November 20 deadline, and then it would be brought forward for discussion at the February Board meeting. He said the monthly financial report has another problem in meeting reporting deadlines in that materials have to be prepared for the Board Office for Agenda Book distribution purposes, which does not allow for the meeting of a timely reporting date.

Regent Krier asked when the paperwork had to be provided for the Board for the Agenda Book and whether it was two months ago, and Mr. Wallace said six weeks. Regent Krier asked if November was not ready then, and Mr. Wallace replied that

November is not due until January 15 and it takes 5 to 10 days for institutions to close the previous month, which allows them to get the information in around January 15 or 16, which is past reporting deadlines to get the information into the Agenda Book.

Regent Estrada said this was not an action item, but stated that if it is the sense of this Committee, he would certainly encourage and support moving forward and requesting a draft RFP. He said there being no objection, staff should proceed along those lines and continue to update the Committee at each meeting about the process, and adjustments can certainly be made.

4. **U. T. System: Report on System-wide Audit Activity (Red, Yellow, Green Report)**

Committee Meeting Information

Presenter(s): *Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer*
Status: *Reported*

Agenda Item:

REPORT

The first quarter activity report on the status of outstanding significant recommendations for the Report on System-wide Audit Activity (Red, Yellow, Green Report) is set out on Pages 11.1 - 11.3 of the Agenda Book. Additionally, a list of other audit reports that have been issued by the System-wide audit program, the State Auditor's Office, and the Comptroller of Public Accounts follows on Pages 11.4 - 11.5 of the Agenda Book.

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

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

5. **U. T. System: Report on Status of System-wide Institutional Compliance Program including Compliance Program Peer Reviews**

Committee Meeting Information

Presenter(s): Mr. Chaffin
Status: Reported

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will update the Audit, Compliance, and Management Review Committee on the quarterly report of the System-wide Institutional Compliance Program, found on Pages 12.1 - 12.2 of the Agenda Book. Activity reports are presented to the Committee on a quarterly basis.

Mr. Chaffin will also brief the Committee on the Compliance Program Peer Review process.

Discussion at Meeting:

Mr. Chaffin said there has been a compliance program for five years so peer reviews of the institutional compliance programs are beginning to determine whether all of the steps of the action plan have been implemented.

He said the initial two or three peer reviews have been conducted with internal people, but the peer review for U. T. Medical Branch - Galveston will be conducted by outside people. Since it is a large hospital, a compliance officer on a national basis will be brought in.

Mr. Chaffin said the goal is to have all program peer reviews conducted during Fiscal Year 2004 to bring back before the Committee in May.

6. **U. T. System: Report on System Audit Office Strategic Plan**

Committee Meeting Information

Presenter(s): Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer and Ms. Sandra Neidhart, Assistant Director of Audits

Status: Reported

Agenda Item:

REPORT

The U. T. System Audit Office has developed a Strategic Plan, which is intended to articulate the broad framework, direction, and priorities of the department and to support the mission of The University of Texas System. The Strategic Plan is on Pages 13.1 - 13.2 of the Agenda Book.

The Strategic Plan will be the basis for formulating the goals and objectives for the U. T. System Audit Office. The strategies and underlying action steps for achieving the goals are communicated in the Plan.

Further development of the Plan includes structuring the actions in measurable performance goals and monitoring and reporting on department performance.

The internal audit departments at the component institutions are currently in the process of developing their own strategic plans.

Discussion at Meeting:

Ms. Neidhart said there was a 2002 peer review of the U. T. System Audit Office, which was instrumental in steering them toward the need for a strategic plan. As a result, she said that Mr. Frank Topfer from Stanford University facilitated a strategic planning conference for the Internal Audit Council, which included all audit directors from the institutions throughout U. T. System.

She said a committee was formed that developed a model of a strategic plan. U. T. System Audit Office has taken that model and developed their own strategic plan, focusing on the direction of the department and aligning the plan with the U. T. System mission statement. Seven primary initiatives are included.

She noted that the strategic plan is a living document and may have changes in the future, which would be brought before the Committee. The next step is setting goals and performance measures related to the strategic plan.

7. **U. T. System: Report on Utilization of Audit Committee Planner (Checklist)**

Committee Meeting Information

Presenter(s): Ms. Neidhart
Status: Reported

Agenda Item:

REPORT

Ms. Sandra Neidhart, Assistant Director of Audits, U. T. System Audit Office, will present an Audit Committee Planner (Checklist), which can be used as a tool by the Audit, Compliance, and Management Review Committee, to assist in the committee's oversight role. The planner, on Pages 14.1 - 14.8 of the Agenda Book, will be used to maintain and coordinate regular, ongoing activities.

Discussion at Meeting:

Ms. Neidhart said the purpose of the planner is to coordinate activities related to overall expectations. She said there has been a focus on audit committees because of Sarbanes-Oxley, and they now have more responsibilities. The planner is based on three items: Committee Charter and Responsibilities Checklist, Action Plan updated in 2003, and good business practices. The planner will be updated periodically.

Mr. Chaffin said the major thrust of the U. T. System Audit Office for the next three months is to strengthen links between component audit shops and the Committee, and they will come before the Committee in May with some proposals.

ADJOURNMENT

Chairman Estrada announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 11:32 a.m.

MINUTES
U. T. Board of Regents
Finance and Planning Committee
February 4, 2004

The members of the Finance and Planning Committee of the Board of Regents of The University of Texas System convened at 8:05 a.m. on Wednesday, February 4, 2004, in El Gran Salón of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Vice-Chairman Hunt, presiding
Vice-Chairman Krier
Regent Barnhill
Regent Caven
Regent Huffines

Also present were Chairman Miller (for Item 12), Vice-Chairman Clements, Regent Craven, Regent Estrada (for Items 5-12), and Counsel and Secretary Frederick.

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

1. U. T. System: Approval of Docket No. 116

<p><i>Committee Meeting Information</i> <i>Not on agenda for Committee meeting</i></p>

Agenda Item:

RECOMMENDATION

It is recommended that Docket No. 116, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

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

2. U. T. System: Approval to amend Resolution regarding the list of individuals authorized to negotiate, execute, and administer classified government contracts (Key Management Personnel)

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor recommends approval of the resolution set out below to comply with Department of Defense National Industrial Security Program Operating Manual requirements. The resolution, which was last approved in February 2003, will update the roster of administrative officials of The University of Texas System authorized to negotiate, execute, and administer classified government contracts as shown in item a.:

BE IT RESOLVED:

- a. That those persons occupying the following positions among the officers of The University of Texas System shall be known as Key Management Personnel as described in the Department of Defense National Industrial Security Program Operating Manual for safeguarding classified information:

Mark G. Yudof, Chancellor, Chief Executive Officer, U. T. System
Larry R. Faulkner, President, U. T. Austin
Juan M. Sanchez, Vice President for Research, U. T. Austin
Bobby C. McQuiston, Director, Office of Sponsored Projects, U. T. Austin; U. T. System a.k.a. U. T. Austin Facility Security Officer
Rochelle R. Athey, Associate Director, Office of Sponsored Projects, U. T. Austin

- b. That the Chief Executive Officer and the Key Management Personnel have been processed or will be processed for a personnel clearance for access to classified information, to the level of the facility clearance granted to the institution, as provided for in the aforementioned National Industrial Security Program Operating Manual, and all replacements for such positions will be similarly processed for security clearance
- c. That the said Key Management Personnel are hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified

contracts of the Department of Defense, or User Agencies of its Industrial Security Program, awarded to the institutions of The University of Texas System

- d. That the members of the U. T. Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of The University of Texas System and, that they will not adversely affect the policies and practices of the institutions of The University of Texas System in the performance of classified contracts for the Department of Defense, or User Agencies of its Industrial Security Program, and that the need not be processed for personnel clearances.

BACKGROUND INFORMATION

Amendments to the resolution substitute Mr. McQuiston as Director of the Office of Sponsored Projects following the retirement of Mr. Wayne K. Kuenstler and reference the members of the Board of Regents as a group rather than listing them individually under item d., which refers to those excluded from the list of those who require a security clearance for classified government contracts.

Discussion at meeting:

Interim Vice Chancellor Aldridge said this item amends the list of persons authorized to administer government contracts to replace the retired former Director of the Office of Sponsored Projects at U. T. Austin with the current Director, Mr. Bobby C. McQuiston.

3. U. T. System: Monthly Financial Report

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Reported

Future Actions:

1. As requested by Vice-Chairman Krier, include the most current monthly financial report available in future Agenda Books.
2. Vice-Chairman Krier requested that President Stobo keep the Regents updated on the status of the Women's Hospital.

Agenda Item:

The Monthly Financial Report has been prepared since 1990 to track the financial results of the U. T. System component institutions. The October Monthly Financial Report representing the operating results of the institutions is located on Pages 16.1 - 16.24 of the Agenda Book.

REPORT

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

Discussion at meeting:

Assistant Vice Chancellor Wallace said because of timing, the October report was included in the Agenda Book; however, he is working to get a more updated version of the report included in future Agenda Books. Mr. Wallace discussed changes between the October and December reports.

In reference to Mr. Wallace's report that U. T. Medical Branch - Galveston is on budget with its anticipated target despite losses, Vice-Chairman Krier asked what would change at U. T. Medical Branch - Galveston from the beginning to the end of the year to make their budget balance. Assistant Vice Chancellor Wallace replied that the Texas Department of Criminal Justice (TDCJ) Hospital and the U. T. Medical Branch - Galveston Hospital were putting together several revenue strategies including improving medical management, decreasing length of hospital stays, and eliminating some diagnostic tests. U. T. Medical Branch - Galveston President Stobo added that although TDCJ is profitable, renegotiation of the contract is currently in the works in order to increase reimbursement. In response to an inquiry by Vice-Chairman Krier about the Austin Women's Hospital, Dr. Stobo reported that the transition has gone smoothly and the first patient will likely be admitted at the end of February 2004. Regent Huffines asked if the projected loss at U. T. Medical Branch - Galveston was budgeted; Mr. Wallace replied that it was, and Dr. Stobo said that there would be no need to use reserves.

4. U. T. System: Report on Fiscal Year 2003 Annual Financial Report

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Reported

Future Action: Respond to Vice-Chairman Krier when U.S. News & World Report and Kiplinger newsletter cited U. T. Austin as a "best value" based on its relatively low cost and the quality of its programs per Page 17.9 of the Management's Discussion and Analysis included in the Annual Financial Report.

Agenda Item:

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the U. T. System for the year ended

August 31, 2003. The MD&A as found on Pages 17.1 - 17.10 of the Agenda Book is part of the Annual Financial Report that was mailed to Board members under separate cover in early January 2004.

REPORT

The disclosure requirements for the MD&A are outlined in Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. The MD&A includes a brief discussion of the basic financial statements, condensed financial information from the financial statements, and an analysis of the overall financial position and results of operations for the year.

The MD&A has been prepared since the implementation of GASB Statement No. 34 in Fiscal Year 2002 and is reviewed annually by U. T. System executive management and external bond counsel for disclosure purposes.

Discussion at meeting:

Assistant Vice Chancellor Wallace discussed the highlights of the Management's Discussion and Analysis. Vice-Chairman Krier asked about the date of the U.S. News & World Report and Kiplinger newsletter that cited U. T. Austin as a "best value" based on its relatively low cost and the quality of its programs. Mr. Wallace responded that he would get that information and Vice-Chairman Krier said that if the information is current, it would be important to share and promote with outside groups.

5. U. T. System: Report on the Analysis of Financial Condition

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Reported

Future Action: Monitor institutions on a monthly basis and inform Regents of any matters that need to be brought to their attention.

Agenda Item:

The Analysis of Financial Condition is a broad annual financial evaluation that rates institutions based on the factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory." The 2003 Analysis of Financial Condition is located on Pages 18.1 - 18.57 of the Agenda Book.

REPORT

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Primary Reserve, Annual Operating Margin, Return on Net Assets, Expendable Resources to Total Net Assets, Debt Burden, Debt Service Coverage, and Full-time Equivalent Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. Due to the implementation of Governmental Accounting Standards Board Statement No. 34/35 in 2002, the basis of accounting and presentation of financial statements changed, making comparable information unavailable for periods prior to 2002. This analysis compares trends for Fiscal Years 2002 and 2003.

Discussion at meeting:

Assistant Vice Chancellor Wallace said this report is prepared annually for the academic and health institutions following preparation of the Annual Financial Report. The institutions are rated as "satisfactory", "watch", or "unsatisfactory" using ratios based on broad financial evaluations. For 2003, all academic institutions and U. T. Southwestern Medical Center - Dallas, U. T. Health Science Center - San Antonio, and U. T. M. D. Anderson Cancer Center were rated "satisfactory". U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, and U. T. Health Center - Tyler were rated "watch" largely due to the volatility of their operating margins. U. T. Health Center - Tyler's change from last year's "unsatisfactory" rating was due to improvements in the overall financial condition of the institution.

6. U. T. System: Approval of the Fiscal Year 2005 Budget Preparation Policies and Calendar for budget operations

Committee Meeting Information

Presenter(s): Mr. Wallace

Status: Approved

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

Agenda Item:

RECOMMENDATION

With the concurrence of the U. T. System Executive Officers, the Chancellor recommends that the U. T. Board of Regents approve the Budget Preparation Policies and Calendar for use in preparing the Fiscal Year 2005 Operating Budget for the U. T. System as set out on the following page.

U. T. System FY 2005 Budget Preparation Policies

General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 78th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the 2005 Operating Budget, the president of each component institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

1. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in Texas Education Code Section 51.009 (a) and (c), shall be proportional to the source of funds.
2. Merit Increases - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, administrative and professional staff and classified staff must have been employed by the institution for at least six consecutive months ending August 31, 2004.

3. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments may also be granted in this budget and should also consider merit where appropriate, subject to available resources. Such increases should be noted and explained in the supplemental data accompanying the budget.
4. New Positions - Subject to available resources, new administrative and professional, classified staff and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.

5. Tobacco Settlement Funds - Appropriate instructions will be issued regarding the distributions from the Endowment Funds appropriated to Higher Education and the Permanent Health Fund for Health Related Institutions.
6. Salary increases for merit, equity, or other reasons should be included in the Operating Budgets.

Staff Benefits Guidelines - Recommendations regarding the state contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act. Appropriate instructions will be issued regarding the implementation of the benefits into the budget process.

Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience rated for each component. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

Budget Reductions and Limitations - The General Appropriations Act contains provisions requiring budget reductions and budget restrictions. Instructions will be issued regarding the implementation of any of these reductions and limitations into the budgeting process.

FY 2005 Operating Budget and Legislative Appropriations Request Calendar

February 4, 2004	U. T. Board of Regents approves budget policies
March 29 - April 9, 2004	Budget goals and priorities/resource allocation hearings with System Administration
April 30, 2004	Draft copies of budgets, salary rosters, and supplemental data due to System Administration
May 3 - 14, 2004	Technical budget hearings with System Administration
May 28, 2004	Final copies of budgets, salary rosters, and supplemental data due to System Administration
June 1, 2004 (estimated)	Receive detailed instructions for Legislative Appropriations Request for the biennium beginning September 1, 2005
July 15, 2004 (estimated)	Draft Legislative Appropriations Request due to System Administration for technical review
July 29, 2004	Operating Budget Summaries mailed to U. T. Board of Regents
August 2, 2004 (estimated)	Final copy of Legislative Appropriations Request due to System Administration for printing
August 6, 2004 (estimated)	Legislative Appropriations Request due to Legislative Budget Board and Governor's Office
August 12, 2004 (estimated)	U. T. Board of Regents approves Operating Budget
August 20, 2004	Approved budgets and salary rosters due to System Administration for copying and binding
August - September 2004	Joint Legislative Appropriations Request Budget Hearings

BACKGROUND INFORMATION

The U. T. System FY 2005 Budget Preparation Policies will track the regulations and directives included in the General Appropriations Act enacted by the 78th Texas Legislature.

7. U. T. Board of Regents: Approval to amend the Regents' Rules and Regulations regarding employee group insurance and health benefits (Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 and Part Two, Chapter VI, Section 5)

Committee Meeting Information

Presenter(s): Ms. Brown

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

It is recommended that the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 and Part Two, Chapter VI, Section 5, regarding employee group insurance and health benefits, be amended as set forth below in congressional style:

- a. Amend Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 as follows:

9.22 Requirements Related to Board Approval

All contracts or agreements, including purchase orders and vouchers, with a cost or monetary value to the U. T. System Administration or the component institution of more than \$1 million must be approved by the Executive Committee of the Board or approved by the Board via the Docket or the Agenda except the following, which do not require prior approval by the Executive Committee of the Board or the Board regardless of the contract amount:

...

9.22(12) Contracts or agreements for uniform group employee benefits offered pursuant to Chapter 1601, Texas Insurance Code.

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

Sec. 5. Employee Group Insurance and Health Benefits

5.1 Administration

All group insurance, health benefit programs, and cafeteria plans authorized by law for employees of the U. T. System and its component institutions shall be administered by the Chancellor on behalf of the Board.

5.2 Committees and Administrators Authorized

The Chancellor shall provide for the planning, implementation, management, and administration of the employee group insurance and health benefit programs through such U. T. System committees and administrators as the Chancellor deems appropriate.

~~5.3 Recommendations to Board~~

~~The Chancellor will submit for review and approval by the Board, recommendations on matters regarding the employee group insurance program.~~

BACKGROUND INFORMATION

These amendments to the Regents' Rules and Regulations will enhance the efficiency of the vendor selection process and allow the Office of Employee Group Insurance (EGI) to negotiate preliminary rates based on more recent claim experience. Currently, EGI is required to select and confirm a vendor and rates well before the commencement of the contract period to permit review of the recommendation at the regular Board meeting in February. This time frame prevents EGI from utilizing four to six months of the most current claim experience information in the competitive bid process which reduces EGI's ability to obtain the best value on premium rates.

This change will not affect the current process in place which ensures that carriers are selected according to the best interest of U. T. System and its employees. The Texas Insurance Code requires U. T. System to submit insurance coverage contracts for competitive bidding at least every six years. The Texas Insurance Code, the Texas Education Code, the Texas Government Code, U. T. System Administration's purchasing and contracting procedures (Business Procedures Memorandum 48-10-02), and the requirements of the U. T. System Office of General Counsel and System Audit Office set forth the selection process for contracting vendors. These procedures mitigate potential legal challenges and ensure compliance with the state's Historically Underutilized Business requirements.

By expediting the vendor selection process, this change would help ensure that the rates charged by the insurance vendors are based on the most current claim information, as well as, benefit the current and future vendor selection processes and would not result in reduction in the quality of coverage provided by EGI.

This recommendation was originated by the Vice Chancellor for Administration and has the concurrence of the Chancellor, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel.

Discussion at meeting:

Vice Chancellor Brown said the purpose of this item was to authorize the Chancellor to select members for employee group insurance and is intended to enhance the efficiency of the vendor selection process by using the most recent claim experience when setting rates.

8. U. T. System: Authorization to purchase a site license for Oracle Database Enterprise, Application Server, Management/Tuning Packs, and Real Application Clustering products

Committee Meeting Information

Presenter(s): Dr. Goldsmith

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Administration, and the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the purchase of an Oracle Corporation site license for its Database Enterprise, Application Server, Management/Tuning Packs, and Real Application Clustering products for \$3.3 million, for use by all U. T. System component institutions and U. T. System Administration. The source of funding is from Available University Funds. Purchase of this site license does not conflict with the rules of the Texas Department of Information Resources.

BACKGROUND INFORMATION

Currently, 12 of the 15 U. T. System component institutions independently purchase Oracle Corporation products. The cumulative cost for these purchases of Oracle products has been over \$2 million per year for the last four years, plus support costs

that increase with each purchase. The purchase of a System-wide site license will provide System-wide perpetual licenses and will cap the annual support costs for five years. The Oracle site license will provide the component institutions and U. T. System Administration with a uniform set of tools used in key higher education software applications, including student, library, course management, financial, billing, facilities management, alumni/development, and other information systems. The potential savings from the purchase of this site license is estimated at \$10.7 million over a 5-year period. Discussions have been held with members of the U. T. System Business Management Council and the U. T. System Strategic Leadership Council, and the members are in agreement that this System-wide site license would benefit their institutions.

Discussion at meeting:

Associate Vice Chancellor Goldsmith said the purpose of this item is to purchase an Oracle site license for use by all U. T. System component institutions. There will be no future costs associated with this purchase other than support costs which will be paid by the component institutions on an annual basis. Committee Chairman Hunt reiterated that Available University Funds would be used for the purchase that will result in savings by the component institutions.

9. U. T. System: Adoption of Resolution to Zurich American Insurance Company and affiliates, Schaumburg, Illinois, to guarantee payments under Phase IV of a Rolling Owner Controlled Insurance Program (ROCIP)

Committee Meeting Information

Presenter(s): Mr. Dendy

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Interim Vice Chancellor for Business Affairs that the resolution to Zurich American Insurance Company and affiliates, Schaumburg, Illinois, to insure The University of Texas System under Phase IV of a Rolling Owner Controlled Insurance Program (ROCIP), be adopted as set forth on the following page.

RESOLUTION

WHEREAS, Zurich American Insurance Company and affiliates (Zurich), will insure The University of Texas System and other persons under Phase IV of a Rolling Owner Controlled Insurance Program (ROCIP) for various construction projects managed by the Office of Facilities Planning and Construction;

WHEREAS, Pursuant to this ROCIP, Zurich will issue one or more workers' compensation insurance policies and comprehensive general liability insurance policies that contain combined \$250,000 per occurrence deductibles that include allocated costs and indemnity payments; however, such deductibles are subject to aggregate limits of \$14,300,000 for the ROCIP; and

WHEREAS, The Board of Regents of The University of Texas System understands and agrees that this large deductible ROCIP requires the prompt reimbursement of sums advanced by Zurich to adjust or pay claims within the deductibles, and the Board desires to guaranty to Zurich the prompt reimbursement of the deductibles for the ROCIP; now therefore, be it

RESOLVED, That the Board hereby guarantees to Zurich the prompt repayment of the sums advanced by Zurich to adjust or pay claims within the deductibles for the ROCIP, subject to the aggregate deductible limits for the Program. This guaranty shall remain fully binding although Zurich may waive one or more defaults of the insured or fail to exercise any rights against the insured or modify one or more terms of the ROCIP as required by law or with the consent of The University of Texas System; and, be it further

RESOLVED, That the Board represents and warrants to Zurich that the funds necessary to reimburse Zurich for the aggregate deductible liability of the insured for the ROCIP are included in the appropriations for the project heretofore approved by the Board.

BACKGROUND INFORMATION

In 1994, the U. T. Board of Regents adopted a resolution making a guaranty to Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California pertaining to the Owner Controlled Insurance Program (OCIP) for the Bertner Complex construction project at U. T. M. D. Anderson Cancer Center. This innovative program provided insurance coverage for the prime contractor and subcontractors for general liability, workers' compensation, excess liability, and builder's risk. The savings to the project as a result of purchasing insurance in this manner were in excess of \$1 million.

In 1997, with the success of the Bertner Complex OCIP, the U. T. Board of Regents approved a similar resolution to Argonaut. The University decided to expand this program to include numerous construction projects at several institutions. The ROCIP provided similar coverage for 19 projects totaling over \$200 million in construction values. The projected savings as of December 2003 is approximately \$1.6 million, but may fluctuate depending on open claim activity.

In April 1999, the University began ROCIP Phase II, which extended the program for 22 projects totaling \$287 million in construction values. In February 2000, the U. T. Board of Regents adopted a resolution to satisfy the security requirement for ROCIP Phase II. The projected savings for this phase as of December 2003 is \$2.6 million, but may also fluctuate depending on open claim activity.

ROCIP Phase III began in July 2000 and included an additional 28 projects totaling \$1.1 billion in construction values. In August 2000, the U. T. Board of Regents adopted a resolution to satisfy the security requirements for ROCIP Phase III. If past experience is an indicator, the University anticipates that the savings for ROCIP Phase III will be significant.

ROCIP Phase IV began in January 2004. Zurich was selected through a competitive process to provide Workers' Compensation and General Liability insurance for ROCIP Phase IV. It is estimated that a minimum of \$800 million in construction values will be included in ROCIP Phase IV over the next five years. The aggregate deductible limits are based on estimated payrolls for \$800 million in construction values. If payrolls exceed the estimate, the aggregate deductible limits may need to be increased. The resolution provides Zurich with assurances necessary to complete the ROCIP Phase IV program. The proposed resolution will be provided to Zurich in lieu of a letter of credit, trust agreement, or cash.

Discussion at meeting:

Director of Risk Management Dendy said this item is a resolution to guarantee payments to Zurich American Insurance Company under Phase IV of a Rolling Owner Controlled Insurance Program for claim payments Zurich makes within the deductible. He said purchasing insurance in this manner has resulted in economies of scale by centralizing the purchase of insurance; streamlining project management; and coordinating the number of on-site functions such as loss control, safety, and recordkeeping. Interim Vice Chancellor Aldridge added that this resolution is in lieu of a letter of credit and is an alternate form of guarantee by the Board that obligations will be fulfilled.

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

Committee Meeting Information

Presenter(s): Mr. Hull

Status: Reported

Agenda Item:

Mr. Terry A. Hull, Director of Finance, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin excellence funds, and the AUF balance.

REPORT

As of November 30, 2003, the market value of the PUF was \$7.65 billion compared to \$7.24 billion as of August 31, 2003 (Figure A on Page 27.1 of the Agenda Book). During Fiscal Year 2004, \$348 million will be distributed to the AUF, compared to \$363 million in Fiscal Year 2003 (Figure B on Page 27.2 of the Agenda Book). PUF distributions to the AUF are projected to decline in Fiscal Year 2005 to \$339 million before increasing thereafter. Beginning in Fiscal Year 2009, PUF distributions may be capped for a period of time because the purchasing power of the PUF will not have been maintained as required by the Texas Constitution (Figure B on Page 27.2 of the Agenda Book). Based on the current assumptions and anticipated Library, Equipment, Repair and Rehabilitation allocations, there is an estimated \$170 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 27.3 of the Agenda Book). PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure D on Page 27.4 of the Agenda Book).

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

Discussion at meeting:

Director of Finance Hull reported on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund and the impact on the remaining PUF debt capacity. He said PUF distributions were expected to decline slightly for the next fiscal year due to the trailing 12-quarter calculation. Committee Chairman Hunt asked if there is an opportunity for the distributions to be capped since quarters are reflecting better performance. Mr. Hull responded that with improved investment returns and lower than anticipated inflation, there is a good likelihood the distributions will not be capped.

11. U. T. Board of Regents: Report on Investments for quarter ended November 30, 2003, and Performance Report by Ennis Knupp

Committee Meeting Information

Presenter(s): Mr. Boldt
Status: Reported

Agenda Item:

REPORT

Pages 28.1 - 28.9 of the Agenda Book contain the Summary Reports on Investments for the three months ended November 30, 2003.

Item I on Pages 28.1 - 28.3 of the Agenda Book reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 6.60% versus its composite benchmark return of 5.48%. The PUF's net asset value increased by \$410.3 million since the beginning of the quarter to \$7,655.1 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, offset by a decrease for the payment of one quarter of the PUF's annual distribution.

Item II on Pages 28.4 - 28.7 of the Agenda Book reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was 6.83% versus its composite benchmark return of 5.48%. The GEF's net asset value increased \$367.8 million since the beginning of the quarter to \$3,952.6 million.

Item III on Page 28.8 of the Agenda Book reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 0.88% for the three months versus the SITF's performance benchmark of 0.64%. The SITF's net asset value decreased by \$68.8 million since the beginning of the quarter to \$1,366.5 million. This decrease in net asset value includes withdrawals from the SITF and distributions.

Item IV on Page 28.9 of the Agenda Book presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$214,855 thousand to \$1,808,748 thousand during the three months since the last reporting period. Market values for the remaining asset types were fixed income securities: \$108,995 thousand versus \$209,934 thousand at the beginning of the period; equities: \$298,092 thousand versus \$237,065 thousand at the beginning of the period; and other investments: \$14,435 thousand versus \$40,536 thousand at the beginning of the period.

A Performance Report on investments for the quarter ended November 30, 2003, as prepared by Ennis Knupp and Associates is attached on Pages 28.10 - 28.97 of the Agenda Book. (Blank pages included in the report were not copied.)

Discussion at meeting:

University of Texas Investment Management Company (UTIMCO) President, Chief Executive Officer, and Chief Investment Officer Boldt summarized the report on investments for the three months ended November 30, 2003, saying both the Permanent University Fund (PUF) and General Endowment Fund (GEF) had a return in excess of the benchmark return for that time period. For the trailing 12 months, the PUF was up 19.4% and the GEF was up 20.2%, and both exceeded the benchmark. Mr. Boldt said the value added in dollars for the trailing 12-month period was \$535 million of extra funds over and above what would have been earned by benchmark returns for those funds and \$450 million was from marketable securities. He said the Short Intermediate Term Fund also had a good quarter with a return of 0.88%, which was above the benchmark of 0.64%. With inclusion of the results from December, Mr. Boldt reported that for the full Year 2003, the PUF was up 24.5% and the GEF was up 25.6%.

Regent Huffines asked how the 24.5% compared to the benchmark for the full calendar year and if it included private equity or just marketable securities. Mr. Boldt responded that the benchmark was 22.8% and included everything. Vice-Chairman Krier asked if private equity is based on projections or actual receipt and Mr. Boldt replied that since private equity uses long-term investments calculated by internal rate of return, it is partly based on estimated returns, but mostly based on money already received. Regent Huffines asked how the returns compare to the benchmark excluding private equity and Mr. Boldt responded that for the year ended December 2003, PUF marketable securities were up 28.27% and the benchmark was 23.63%; the total was 24.49% and the benchmark was 19.3% using the new private equity benchmark return.

Mr. Michael Sebastian of Ennis Knupp reminded the Board that the Ennis Knupp report is an independent report produced for the Board of Regents, covers summary information and information on asset class and manager-level bases, and concurs with UTIMCO's measure of performance, which was positive over the last fiscal quarter.

Vice-Chairman Krier noted that even though there are positive returns, there is a declining amount of money that can actually be spent from those returns. She asked if Available University Fund (AUF) proceeds were reviewed as part of the benchmark. Committee Chairman Hunt said distribution is mandated by the Constitution and is based on long-term distribution and maximizing total return on the funds. Vice-Chairman Krier suggested modifying constitutional limitations or basing performance of PUF on distribution to the AUF. Mr. Boldt added that all bonuses are calculated on a rolling three-year performance, the same period that distributions are calculated.

Concerning private equity, Chancellor Yudof asked what the rate of return was compared to the benchmark and asked about recent performance. Mr. Boldt responded that performance of the current private equity staff is tracked and private capital partnerships chosen by UTIMCO are compared to all private capital partnerships.

12. U. T. Board of Regents: Presentation of UTIMCO Performance Compensation Plan

Committee Meeting Information

Presenter(s): *Vice-Chairman Hunt; Mr. J. Luther King, Jr., UTIMCO Board Vice-Chairman; Mr. Bruce Myers, Cambridge Associates; Mr. Greg Smith and Ms. Diane Doubleday, Mercer Human Resource Consulting*

Status: *Discussed*

Future Actions:

- 1. Distribute written list of 39 organizations included in Mercer/Cambridge compensation study to Regents.*
- 2. UTIMCO staff and consultants to work with Vice-Chairman Krier to clarify the UTIMCO compensation plan as reflected in the PowerPoint charts before the Board votes on the plan.*

Agenda Item:

PURPOSE

Vice-Chairman Woody L. Hunt will lead a discussion related to the proposed UTIMCO Compensation Plan (the Plan) as set out on Pages 29.1 - 29.20 of the Agenda Book. The Plan has been developed by the UTIMCO Compensation Committee with the assistance of Mercer Human Resource Consulting, compensation consultants, and Cambridge Associates. The Plan was approved by the UTIMCO Board at its January 13, 2004 meeting. This Plan is intended to replace the Plan adopted by the UTIMCO Board in 2001.

The Plan has been proposed by the UTIMCO Board for consideration with the intent of providing a means whereby employees may develop a sense of commitment and personal involvement in the investment performance of the assets for which UTIMCO has investment responsibility and to attract and retain key investment employees of outstanding competence and ability; to encourage them to remain with and devote their best efforts to the business of UTIMCO; and to reward such employees for outstanding performance, thereby advancing the interests of UTIMCO and the U. T. Board of Regents.

BACKGROUND INFORMATION

UTIMCO, created in 1996, is a 501(c)3 investment management corporation whose sole purpose is the management of investment assets under the fiduciary care of the U. T. Board of Regents.

Discussion at meeting:

Introductory remarks by Committee Chairman Hunt:

I'd like to move to the last item on our agenda today which in my view is a very important item. It's not an action item. It is a report on a revised incentive compensation plan that was approved by the UTIMCO Board on January 13. Both by practice and by contract with the U. T. System, the compensation has been delegated from the inception of UTIMCO to the UTIMCO Board. It was my feeling and the feeling of the UTIMCO Board, because of the concern stated by the Board of Regents at the December 19 meeting about compensation at UTIMCO, that we should not implement this incentive compensation plan until the Board of Regents had a chance to approve it or at least to review it and then decide whether they needed to approve it or whether they wanted to delegate that authority as it has done by practice or contract to UTIMCO as the central delegate and reconfirm that delegation back to UTIMCO. I would like to make a few comments and then I would like to look to Luther King who is the Vice-Chairman of UTIMCO, who has been on the Board since its inception, who is Chairman of the Compensation Committee, and who manages a significant amount of money in a private money management firm in Fort Worth. And we also have Mercer here, the consultant that was used on the incentive compensation plan. I'd like for them to come to the table and also Bruce Myers from Cambridge. This is the team that worked on our incentive compensation.

The comments I'd like to make are as follows. I believe the issue is not compensation that we're here to talk about today. The issue is competitiveness. The decision we are really faced with is are we prepared to be competitive in managing our financial assets which requires (1) a competitive asset allocation and (2) a competitive implementation of that asset allocation. If not, we don't need a competitive incentive compensation plan. If yes, if we want to be competitive and want to seek

the highest possible investment returns, then one of the requirements, in my opinion, is a competitive incentive compensation plan. The cost of not being competitive historically has been enormous and is well documented, as measured by achieving a relatively modest goal at least in my mind of an average median return. Median return is looking at all higher education endowments that are \$1 billion or greater. If you view it over just the last 10 years, we're about \$3.5 billion below. In other words, we'd have \$3.5 billion more in our endowments today if we had earned the median return. If you look at the outliers which are at the top -- Harvard and Yale -- we'd have somewhere between \$8 and \$9 billion more under our management. Cost of lost distributions alone for 2003 at the one institution, which I chose to look at (U. T. Austin), was approximately \$50 million. That's at the median return. Of course, if we had been able to earn at the Yale or Harvard level, that number for U. T. Austin alone for 2003 would have been well over \$100 million. That also doesn't count some of the side benefits that would have been more competitive in the return as far as being able to seek and receive its share of the dollars. When Dr. Faulkner made his presentation at our November Board meeting on tuition deregulation, he eloquently laid out the losses at U. T. Austin of a professor to Georgia Tech and another one to MIT. If you look at those institutions and you look at their returns, which in one case is slightly over the median at Georgia Tech and in the case of MIT is well over the median, you have to ask yourself was our lower distribution the cause of our inability to compete. If you choose not to compete, at least in my view, from an investment return you've also chosen not to be able to compete for researchers and the research dollars they bring in and ultimately the students they attract. Unless we outperform these institutions in the future, this tremendous relative gain, us versus them that has taken place or us versus the median over the last 10 years, is imbedded for the future. So in other words, for us to ever catch up, we've got to outperform in the future. If we just perform at the median level, we've lost that base of Harvard alone to be able to distribute between \$1.5 to \$1.8 billion more because of that relative gain over the last 10 years. If you want to look at distributions Regent Krier talked about earlier, we've compounded over the last 12 years our distribution rate at a 2.2% increase. During that same period of time, Harvard was 27%. They started in the early 1990's with 20% of their operating budget coming from distributions and it is now at 31%. We're a little less than 6% and obviously if we're growing at 2.2%, we're probably losing ground as far as contributions on investment returns and meeting our expenses.

There have been some concerns I'd like to address before turning it over to our consultants. One is about the timeliness of our process here. To go back in time a little bit, we started the process on incentive compensation in line with our revised asset allocation process. We passed that asset allocation in August 2002. We took it to the Board of Regents. There were a number of questions which we began to answer in a series of educational reports from Bob [Boldt] and his staff that ran through the Spring of 2003. In May of 2003 the decision was made for UTIMCO to go back to ground zero so to speak and rebuild its asset allocation. We concluded that at additional Board meetings and additional Board, staff, and consultant time. We completed that process in October of 2003. The asset allocation was passed

at that time at the UTIMCO level. It was very similar to the one we passed in August 2002 with the exception that it had a little bit more in hedge fund allocation and a little bit less in fixed income. That asset allocation was completed in October. UTIMCO approved it with a very small revision to one asset class limits made by the Board of Regents on December 19. That same day after that meeting, the Board and the Compensation Committee of UTIMCO met and passed an incentive compensation plan that is in your book. At the next scheduled meeting of UTIMCO which was on January 13, the UTIMCO Board passed it. So I know there is an issue of why it is taking so long and I think at the heart of that was an attempt to elevate the education of the U. T. Board and the UTIMCO Board and staff on asset allocation and the process that ran for over a year. So for that, I apologize on having this come in at the middle of the year, but that's a historical basis. I'd like to also comment very strongly that this has been a Board-driven process, not a staff process. Corrections that are in this incentive compensation plan over the existing one are mandated by the Board with consultation from Mercer. Mercer reported directly to the Board committee that was charged with this. All of the significant changes in this are driven by the Board. I'd like to now turn this over to Luther King for a presentation. A part of the presentation is also included in your booklet that was mailed out to you.

Introductory remarks by Mr. J. Luther King, Jr., Vice-Chairman of the UTIMCO Board of Directors and Chairman of the UTIMCO Compensation Committee, referencing a PowerPoint presentation attached on Pages 30 - 36:

I'm delighted to be here. I've been, as mentioned, on the UTIMCO Board for seven years which is since the beginning. This is my first opportunity to be before the Regents. I consider it an honor and am delighted to be here representing the UTIMCO Board and particularly the compensation issue that is to be discussed today. One thing to fall back to what Woody said -- and I'm going to step away from the agenda for a few minutes -- is that the increased dollars that would be earned and paid out to the universities involved by creating higher returns, i.e., a higher percentage of the budget coming from the endowment -- those are very valuable dollars as we've talked about before because typically they have fewer restrictions on them. So those dollars, I think, are more valuable than other dollars generated and so those are very important dollars, not only that there's more in number because of higher returns, but they're more flexible dollars from a budget standpoint. I'm going to get in the middle and probably overlap slightly with Woody. I've been Chairman of the Compensation Committee for several years and I may have been on the Compensation Committee the whole period. That's a hard cross to bear, but it's been mine. I'm not an expert in it, but I have raised my level of knowledge tremendously over the last several years, primarily because I'm in the business. I have compensation to deal with myself and I've been on compensation committees of several companies, some publicly held. The Compensation Committee consists of Susan Byrne, Phil Ferguson, and Regent Huffines. In the middle of this process, and it is difficult to know when the middle is because it is much longer than the 15-month process that is outlined in the book, but in the 15-month process, Lowry

Mays and John McStay rotated off. So it's the current Committee plus two Committee members who were an important part of the Committee at its outset. In addition, Woody sat through all the meetings and Scott [Caven] sat through several of them since he became a Regent. The input that was received collectively has been very important and I can't say that there hasn't been a single person involved in it that hasn't made a real contribution whether they've been officially on the Committee or not. So we have what I think is an outstanding compensation system. The recommendation has been approved and we're prepared this morning to spend as much time on the details of that as you choose to spend. It's my feeling that this has not been an issue before at the Regent level. Maybe it should have been, but it's somewhat new, so it is a work in progress. So it's my belief that if I were in your spot as a Regent, I would be concerned about the process -- what went into this plan -- rather than is it a ratcheted plan or a cliff plan in terms of the deferral. The complexities of it are numerous and I think they've been handled extremely well and I'm anxious to talk about those complexities. It is our objective to achieve excellence or certainly good returns, acceptable returns -- and this is the UTIMCO and I think the Regents' objective -- on the assets under our watch. We had a compensation plan not aligned with our objectives. In other words, the compensation plan in terms of the incentive portion of it was misaligned with the objective of achieving significant returns or acceptable returns. So the compensation plan we've been working under previously needed to be amended. Hence, the project that we undertook. That project was undertaken by the Compensation Committee under the watch and with the delegation of the UTIMCO Board who was certainly very aware of what was going on even though every Board member did not attend each of the meetings. The process was aided by the consultants who are here to my right. I think this morning you were given some biographies and their resumés and some information about them. They are probably the leading consultants in their area in terms of compensation and benchmarking in the United States. I think that Bruce [Myers] of Cambridge works for 47 of the 50 largest endowments. So when it comes to benchmarking, they are an expert in benchmarking. Mercer obviously is the leading firm in terms of compensation studies and had specific studies done, which they will get into, for this project. It was driven by the Board through the Committee. It was not driven by the staff, it was not driven by the consultants. The staff played an important part. They provided information and input. Many of the things that they suggested were not considered. Some of the things that were considered didn't make the hurdle. So the important thing to know is this was not a staff-driven proposal. It's much deeper and much broader than that. If it were a staff-driven proposal, it would have been ready in three days. They had it like what they wanted and that didn't work. The key points in terms of the study -- and I'll flip through these when we get to the PowerPoint -- the compensation at the staff level was at the 50th percentile, actually below the 50th percentile, which is the wrong place to be if you want to create the returns that The University of Texas and Texas A&M University deserve. The objective was to move to the 75th percentile where we think that the System is. A part of this money, the 75th percentile, a big part of it, is incentive driven which means that it's not paid unless the universities are paid many times more. They don't get their incentive compensation unless the benchmarks are made

or earned. So you're only paying a very small portion of what you otherwise would not have had. That's the whole thesis behind incentive compensation. And part of that is deferred. So it is not open-ended, plus it is capped meaning that while the returns are not capped, the amount of money earned by the staff is capped and not open-ended. Performance is not appropriately rewarded -- that was an earlier question that was raised. The maximum incentive compensation level in a perfect year incentive bonus would comprise 2.5% or less than the total value added. If you're only paying out a small portion of what the universities earn in terms of above benchmark performance, you can see what the comparison to the industry standard is. Staff members earn a maximum incentive award only by staying at UTIMCO. By deferring full payouts over three years -- a portion of the incentive -- it hopefully will bind the staff to UTIMCO. I must say that the incentive awards that are deferred are -- correct me if I'm wrong, Bob -- will earn the return of the fund which means that they will be paid not interest, but whatever the fund returns, which again binds their incentive to the returns of the fund. The better the funds perform, the higher the pay. [Regarding the Conclusion slide on Page 36,] here is some stuff we've already talked about and I don't think we need to take any additional time to talk about it. It's been a very long process. It's a much more complicated process than most people probably realize because not only is there benchmarking involved, there's what kind of benchmarking, whether it's peer groups, financial money capital market averages, whether you have cliff vesting, how long the deferral is, how much of it is subjective, how much of it is objective. It's a very, very complicated process and the plan is excellent. I don't think we need to spend a lot of time on the plan. Mercer's role was to provide the UTIMCO Board and the Compensation Committee with actual studies that they initiated on our behalf as well as their normal data in terms of what is a fair range to be paying staff such as the staff at UTIMCO. Diane, do you want to kick it off?

Comments by Ms. Diane Doubleday and Mr. Greg Smith of Mercer Human Resource Consulting and Mr. Bruce Myers of Cambridge Associates, and Presentation of Performance Compensation Plan by Mr. Smith

Ms. Diane Doubleday from Mercer gave brief background information on Mercer and said their assignment was to work with the UTIMCO Compensation Committee on redesigning the incentive compensation plan. She introduced Mr. Greg Smith from Mercer who discussed collection of market data. Using a PowerPoint presentation found on Pages 37 - 42, Mr. Smith said Mercer applied its standard methodology of using a variety of survey sources using six published surveys that were investment management specific. Mercer looked at organizations similar to UTIMCO in size, having \$1 billion in assets, with externally managed assets, with staff stability, and of similar organizational complexity. Mr. Smith also discussed the competitiveness of compensation programs beginning with benchmarking. Ms. Doubleday discussed key design features of the proposed plan and stressed that under the plan, the maximum award level is capped even though performance could be higher. She said everyone in the organization's incentive plan will have a portion of their bonus tied to the entity's performance. The entity's performance will be measured on two

bases: the policy benchmark and a relative performance measure against a peer group of top university endowments with more than \$1 billion in assets, excluding Harvard and Yale universities. No payments are made unless performance is better than the average of the peer group. The bar is being raised from the performance requirements for previous years. Ms. Doubleday mentioned the concept of deferral that only pays part of the incentive at the end of the year with the remainder paid in annual installments over three years to encourage employee retention and future performance. She also said if all goals are exceeded, the cost of the new performance compensation plan could reach \$3.3 million annually which represents two basis points relative to the \$14.8 billion managed by UTIMCO.

Mr. Bruce Myers from Cambridge Associates said although the plan was largely designed by Mercer, Cambridge was responsible for the construction of the benchmarks and he discussed how the benchmarks were developed. He said it was important for UTIMCO to be benchmarked against a peer university, but since there was no such university, the focus was on 39 institutions (29 public and 10 private) with assets over \$1 billion. Harvard and Yale were excluded because they can act with a degree of freedom not extended to public institutions. Mr. Myers said the Compensation Committee chose a benchmark that included private institutions since it was harder to beat and created a higher hurdle. He commented on two notable changes from the benchmarks in the last plan: the private capital benchmark and adjustment of the amount of outperformance needed in the various asset classes to trigger the maximum incentive compensation. In summary, Mr. Myers said Cambridge feels the proposal constructed was an appropriate one of peers for UTIMCO and the benchmarks at the asset class level are appropriate and are likely to be seen in other programs at the asset class and plan incentive levels.

Summary remarks by Committee Chairman Hunt:

Luther, Bruce, Diane, and Greg, I want to thank you all for your efforts on this. I'd like to make a very brief summary and then open it up for questions. I know we're running late and thought we'd make that up in the rest of the program. I want to make very clear to everyone that this is a benchmarking exercise. We benchmarked all the employee positions, we benchmarked the performance by asset class, by peer. We've benchmarked structure to make it competitive with what others have done. We've added a longer deferral and given an endowment rate dependent on that deferral which aligns into it better. The bonus is capped as a percentage of salary as it has been before. The maximum is higher with a potential now of \$3.3 million versus \$2.2 million before. But the performance requirements to obtain that additional compensation are much higher. Compensation is totally contingent. For example, if the staff captures 50% of the benchmark that we've just talked about, and was at the 60th percentile, in other words, if they're better than the other 59% of the other peers out there, they'll earn median compensation, only median compensation. To earn the maximum, they would have to get 100% of the benchmark. They'd have to get the 75th percentile and they would have had to get 100% of the asset that qualitates. In other words, personal goals that were laid out at the

beginning of the year to get the \$3.3 million and then it's less than 2.5% of the total assuming that the staff quits earning right at that magic moment. But most likely they would continue to earn and for those there would be no additional compensation. Last year, the top six investment professionals at UTIMCO earned a little over \$2 million; \$2,050,000. The top six at Harvard, which we all know is an outlier, we're not trying to argue but it does show the bulk they earned -- over \$107.5 million. Whether that was related to the fact that they've been able to compound the distribution of 27% and we've only been able to compound at 2.2, will be an argument for the capitalist to make. To me that summarizes where we are. We have a decision on whether we want to be competitive. In my opinion, if we want to be competitive, we have to have an incentive compensation plan that is appropriate for the talent that you need to improve to be competitive. And that's the money management talent in this structure that you have to be competitive in recruiting. We can't compare it to athletics or to academia. And I'd like to open this for -- and again, time is very pressed, but I think it's important to answer questions and I know Chairman Miller would like to have a couple of comments.

Questions and Answers:

Vice-Chairman Krier observed the comparison to Harvard was confusing. Mr. Hunt said that even though it is a private institution, there are some similarities. Committee Chairman Hunt also said that if the Board decides this is an action item, he would appeal to the Board to handle it quickly since it is a competitive issue and there has been a significant turnover in UTIMCO with the inability to bring closure to this issue. Vice-Chairman Krier asked that the record reflect her concern that the compensation plan as included in the Agenda Book is not as clear as the information contained in the PowerPoint presentation charts and asked that the language be clarified before the Board votes on the plan.

Chancellor Yudof said he was unclear which are the 39 private and public entities constituting the comparison group and Mr. King said the list would be provided.

Remarks by Chairman Miller:

I'm very much in favor of incentive compensation, particularly as it relates to investment management. I've supported this structure for a long time. I don't think that's the issue and I think it's very clear how hard you all have worked. I've known Luther King for decades and I respect the hard work and really strong efforts in getting the best consulting people in the world as far as I can tell. I think this is a big step forward and to have this discussion, and I think the Board of Regents needs to have it also because the benchmarks are part of investment policy and that's our responsibility too. I think that's critical. The issue of competition brings to a point I was going to make at the close and Regent Krier touched on it and so did Chancellor Yudof. I don't know that we are competing against those institutions. I think that's one of the most critical questions. I think there's a large set of complex financial questions for the System that we need to ask and this is part of it. We're looking at

this as a narrow part and may be looking at these as some of the right answers. But I think there are some parts that go with it. We're going to put an accountability report on the table and every single one of our institutions benchmarks against somebody else and I doubt they're the same population you mentioned. Even U. T. Austin would probably benchmark against public institutions, not Harvard, not Yale, not Stanford. We pay people in public institutions as little as 40% of what private institutions pay across the board. The average compensation at U. T. System may be \$45,000 for all employees. We are in a different situation than a lot of institutions. This institution [U. T. Brownsville] isn't the beneficiary of any endowment that I know of. It's not a PUF institution by law and I doubt it has much of an endowment and its financial situation is different from all the others. We may be talking about U. T. Austin when we have all these references and it might be helpful if we begin to separate and identify and focus on some of those things. For example, a few things I've thought of: In the last four years I was very proud to see U. T. System get \$5 million in additional research dollars per year. So on an annual basis at the end of 2003, \$1.45 billion of revenues in research versus \$920 million in 1999 when we [Chairman Miller and Vice-Chairman Hunt] came on the Board. So you and I have had a lot of success because we've had a lot to do with that, all of us. \$500 million a year is equivalent to a \$10.5 million endowment and a 5% payout. It's like all the endowments in all the history of U. T. System for that increase in revenues. So strategies which increase revenues all the way across the System might be equally or even more important, so how we invest this money has to be related to everything we do and I don't think we've ever done that before. It's different balance and different needs for different institutions which are very important. Our two legislative successes -- if they're called that, we had some losses too -- we have the ability to set tuition and fees. Probably for U. T. Austin only that will be a \$50 million per year increase. That alone is a billion dollar endowment equivalent. The same with research overhead -- if we recapture that research dollar at U. T. Austin, it will probably be starting at \$25 million -- across the rest of the System, maybe a total of \$50 million a year. That's another equivalent of about a \$1 billion endowment. So for this three or four years while we didn't do what we could have done in investments and I think we need to do better than we've done -- he [Vice-Chairman Hunt] and I have talked about that at length -- those policies are very important for the future for the whole System -- swamped actually anything we could have done in endowments very likely. So we need to put all those things in a complex balance. We just need to look at that more broadly and I hope this will be one element in looking at a complex set of financial questions and I think the next few months as we study this those things will come forward and I am hopeful that will be a big part of the study work group that we have. But even so, I don't think we will finish that set of questions from this working group and it may lead to looking at all those complex financial issues. The idea you all had to study the infrastructure needs of the whole state was a brilliant idea, and I think we're going to get a little more in March about that. We will be able to say to the State of Texas that we need this amount of money as a whole higher education system. And we might be able to get the State to begin to let us borrow that money, maybe besides tuition revenue bonds every

other session that resembles a cash scramble type of policy setting. Maybe we could find a way to say here's the infrastructure and either we can borrow that money and actually that amount of borrowed money for infrastructure may overwhelm anything we could do with endowment performance. So we have all these issues that are very heavily weighted and we ought to put this one in with them.

Closing remarks by Committee Chairman Hunt:

My only additional comment would be is what we're asking the Board to consider is a revision to an existing plan. It's not a new plan in the sense that we haven't had one; the one that we have has some defects. It doesn't do the job to the extent that the new plan would. The new incremental dollars are the only dollars that can be obtained by meeting much higher benchmarks. And so the UTIMCO Board's standpoint is a recommendation for a much better plan, much higher requirements, much better alignment of staff and Board and U. T. System as the owner of the funds. So I would hope that this doesn't get captured, and I don't disagree with the financial modeling. I think the argument there would be compelling in the sense that Harvard and Yale depend on their operating expenses, 30% out of their endowments, and we're only at 6%, that we're in a much better position to be more aggressive and be more competitive than they are although the reverse is actually true. And while it can be overwhelmed by say tuition deregulation and big tuition increases at a particular point in time, the compounding effect of your endowment over time as we've seen in just the last 10 years, can really, truly be enormous in a long-term sense as far as additional revenues to the System.

Closing remarks by Mr. J. Luther King, Jr.:

I happen to agree with what Chairman Miller says in terms of the big picture. I think it's extremely important in any organization, and I'm not an inner part of The University of Texas, but I have served on lots of Boards, some private and some public, to do long-range thinking and modeling that we're talking about. I do think that this plan, which has had a lot of energy put into it and is a good plan, somewhat is separate. I'm not sure that you can't do one without the other at least knowing where the other one is. But this plan probably in my judgment needs to be done even though I agree wholeheartedly with what has been said by Charles [Miller] in terms of the bigger picture and what drives it. That doesn't mean that this plan shouldn't move along because it's a great plan, it's timely, and a lot of effort has been put into it. And that doesn't mean that just because effort has been put into it that it should move, but it's ready.

Final comment by Committee Chairman Hunt:

One final comment that just points out a short-term cost is that we delayed filling one senior position and several junior positions at UTIMCO last year waiting for asset allocation to pass. Now we've got that accomplished with our December vote, but we've now got a question on the incentive compensation which doesn't help in trying

to fill those positions. So I think the UTIMCO Board's advice, once again, is if we want to be competitive, we want to focus on returns, we need to act sooner rather than later and put this issue behind us. That doesn't mean it can't be changed at some future date, but I would hope that it doesn't get trapped in a long-term review.

Regent Huffines thanked Mr. King for his service on the UTIMCO Board and Mr. King received a round of applause.

ADJOURNMENT

Committee Chairman Hunt announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 9:55 a.m.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

30

Presentation to UT System Board of Regents

Luther King

February, 2004



UTIMCO Background

- The endowment funds will be a critical resource for the future success of the UT System and the Texas A&M System
- UTIMCO was established in its current form and governance structure to enable a professional, experienced staff, monitored and led by an independent Board including several of the best investment managers in Texas, to earn investment results competitive with the best managed endowment funds in the United States.
- UTIMCO has delivered on that competitive promise within Texas by outperforming the Permanent School Fund, the Employee Retirement System, and the Teacher Retirement System over every 1,3,5 and 10 year period over the last 10 years.
- However, against peer endowment funds in the United States, UTIMCO's historical performance has been much less favorable.

31



Improvement at UTIMCO

- But important staff and investment changes made over the past 18 months have produced a definite turnaround in performance relative to the national peer group:

General Endowment Fund vs. Cambridge Billion \$ Funds

<u>Periods Ended</u> <u>September 30,</u>	<u>One Quarter</u> <u>Percentile Rank</u>	<u>One Year</u> <u>Percentile Rank</u>	<u>Three Year</u> <u>Percentile Rank</u>	<u>Five Year</u> <u>Percentile Rank</u>	<u>Ten Year</u> <u>Percentile Rank</u>
2003	6	18	38	69	78
2002		52	75	80	
2001		46	80	80	
2000		78	80	82	
1999		78	80	65	
1998		71	67	62	
1997		36	52		
1996		82	65		
1995		36			
1994		71			

Where 1st percentile rank is best; 100th percentile rank is worst.

32

- With the changes over the past year now showing results, we are near an important turning point in finally realizing the full potential of UTIMCO



Compensation at UTIMCO Not Competitive

33

- However, in our opinion, one impediment to full competitive position for UTIMCO remains ... professional staff compensation
- As we understand it, the UT System policy is to compensate at the 75th percentile in each particular job classification; this compensation level is not "at risk"
- But despite the fact that the most recently completed fiscal year was the best year in UTIMCO history, a year in which the UTIMCO staff added more than \$350 million in value to the endowments, a year in which UTIMCO outperformed all major Texas institutional funds and all but 5 of the large endowments in the United States, every investment professional at UTIMCO received compensation below the median (50th percentile) according the Mercer Human Resource Consulting



Developing a More Competitive Compensation Plan

34

- In fact, Mercer pointed out that under the prior Compensation Plan approved in 1999, the maximum award possible in a perfect year of quantitative and qualitative performance would result in below median (50th percentile) compensation for every investment professional at UTIMCO, and would result in substantially below median compensation in some cases.
- We engaged Mercer and began a process 15 months ago that has resulted in a new Compensation Plan which should allow us to attract top investment talent to UTIMCO, align the interests of our professional staff with those of the UT System endowments, and encourage staff members to remain at UTIMCO for longer periods of time.
- UTIMCO professionals will earn high compensation only if the endowment and operating funds enjoy exceptional performance relative to both fairly determined policy portfolios and to our peer endowments in the United States.



Characteristics of New Compensation Plan

- The new Compensation Plan has several important positive characteristics:
 - ✓ Every incentive dollar paid out to staff under the Plan is a dollar the System would not have otherwise had except for the value-added efforts by staff in earning the incentive award,
 - ✓ The endowments and operating funds keep more than 97.5 cents of every value-added dollar earned by staff after deductions for all fees and expenses,
 - ✓ Incentive compensation awards are based on three year rolling performance, so short term performance bursts will not be inappropriately rewarded,
 - ✓ At maximum incentive compensation levels in a “perfect” year, incentive bonuses will comprise 2.5% or less of total value-added. By comparison, it is standard practice in the investment industry to pay 20% of the value-added as a performance fee in contracts with external investment managers,
 - ✓ Staff members earn maximum incentive awards only by staying at UTIMCO. By deferring full payouts over three years, and allowing the value of those payouts to vary with subsequent returns in the endowment funds, professional staff retention should be much higher in the future.

35



Conclusion

The Compensation Committee of the UTIMCO Board, consisting of one Regent member and three independent investment professionals with significant experience in managing investment organizations, took approximately 15 months, including hundreds of hours of research and meeting time to develop the new Compensation Plan. ***We were very careful.*** We had the input of two of the best consultants in the investment field, Mercer Human Resource Consulting and Cambridge Associates, regarding all the technical details and market surveys that became a part of the Plan. We believe the Compensation Plan approved by the UTIMCO Compensation Committee and the UTIMCO Board is fair, effective, and is in the best long term interests of the UT and Texas A&M Systems. We believe the Plan should be implemented immediately.

36

MERCER

Human Resource Consulting

February 4, 2004

UT System Board of Regents
UTIMCO Compensation Program Review

37

Diane Doubleday and Greg Smith

San Francisco

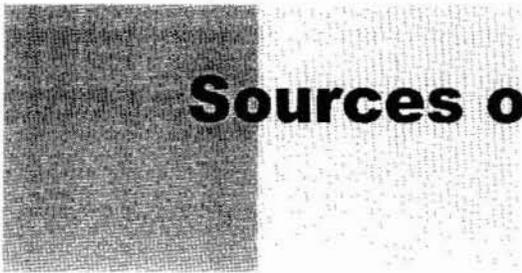


Marsh & McLennan Companies

Today's Objectives

- Review Sources of Market Data
- Review Competitiveness of Compensation Programs
- Review Mechanics of Performance Compensation Plan (e.g., Annual Incentive Program)
- Identify Cost of Recommended Changes

38



Sources of Market Data

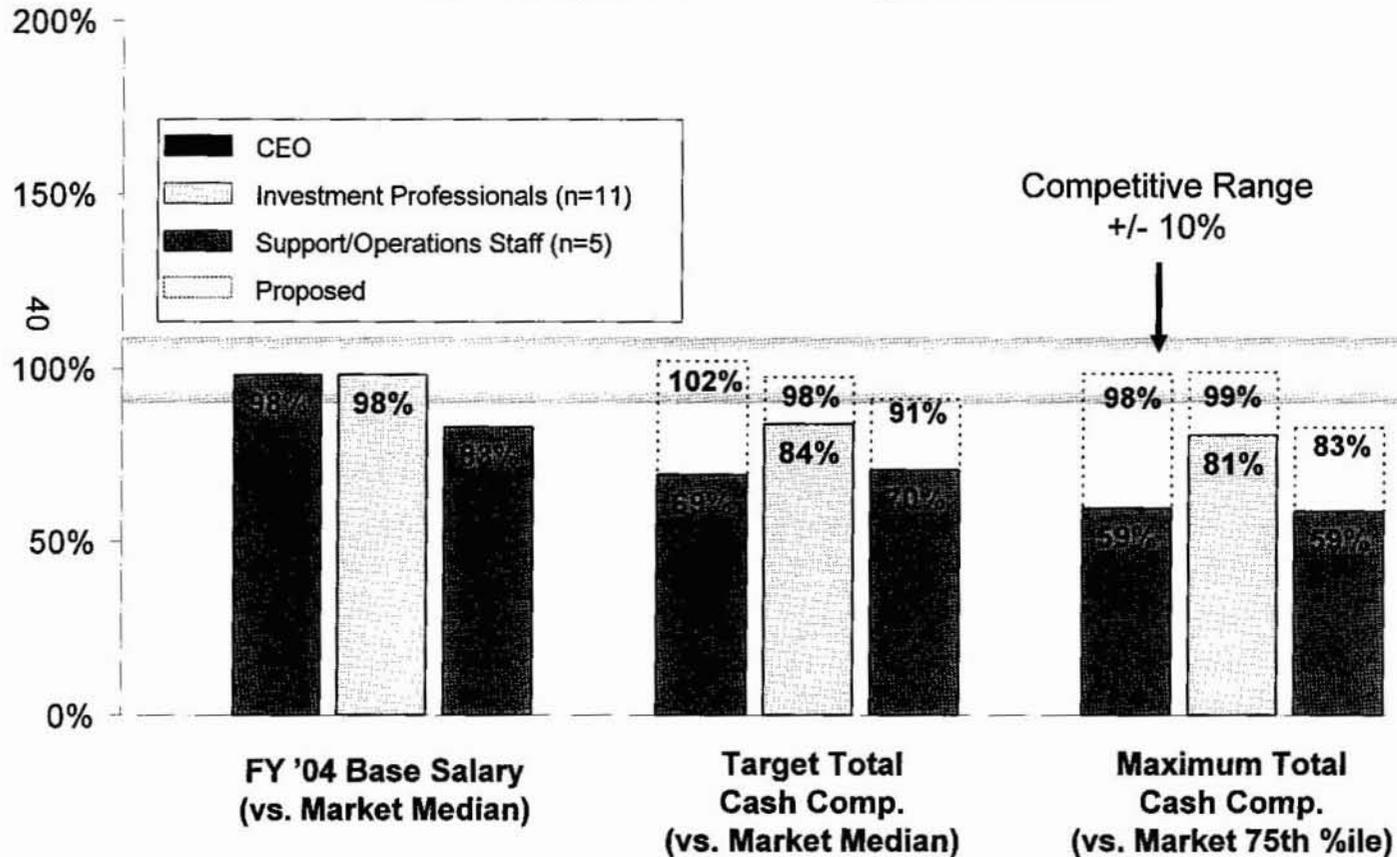
- Mercer obtained market compensation data for investment professionals from six published compensation surveys
 - Data from Mercer’s custom survey of 15 premier University endowments and foundations were given a 50% weighting
 - \$4.3 billion median assets managed
 - Majority of assets are externally managed with asset allocation similar to UTIMCO
 - Mercer interviewed all 15 survey participants
 - Published survey data were given a 50% weighting
 - Data from organizations with assets generally between \$1 and \$15 billion
 - Surveys include approximately 250 organizations with externally managed funds (e.g., public and private Universities, foundations and in-house managed pension funds)

- The design features of UTIMCO’s Performance Compensation Program were evaluated relative to Mercer’s custom survey

39

Competitiveness of Compensation Programs

UTIMCO Compensation vs. Competitive Market Data



Base Salaries

- The CEO and investment professionals are generally paid at the market median.
- Most operations/support staff have been recently promoted or are new to their role and are paid at the market 25th percentile, on average.

Annual Incentives

- Current maximum award opportunities only reach the 75th percentile in 3 of 15 cases.
- Proposed incentive award opportunities are competitive and bring target and maximum total cash compensation to the median and 75th %ile, respectively.

Performance Compensation Plan (PCP) Key Design Features

- Participation extends to all investment and senior operations staff with more than 3 months of experience.
- Target award opportunities are designed to reach the market median and maximum award opportunities are designed to reach the market 75th percentile.
- Maximum award opportunities are capped.
- Awards are earned annually based on 3-year rolling historical performance of the entity and asset classes.
- Entity performance is measured relative to policy benchmark (50% weight) and to a peer group of University endowments with greater than \$1 billion in assets (excluding Harvard and Yale), also weighted 50%.
- Asset class performance is measured relative to policy benchmark with standards that vary with asset class volatility and ability to outperform the benchmark.
- Approximately two-thirds of the award is paid at the end of the performance period, with the remainder paid in annual installments over 3 years. The deferral earns interest equal to the endowment rate of return.

Cost of Recommended Changes to PCP

- Assuming maximum performance on all measures in the plan, the annual PCP program cost would be \$3.3 million.
 - Represents 2 basis points (0.02%) relative to UTIMCO's total assets under management (\$14.8 billion).
 - Represents 2.2% of incremental value delivered to UT system¹.
- Proposed increases to PCP award opportunities would add \$1.1 million in incremental annual cost assuming maximum performance on all measures.
 - Represents less than 1 basis point (0.01%) relative to UTIMCO's total assets under management (\$14.8 billion).
 - Represents 0.8% of incremental value delivered to UT system¹.

42

¹ Assumes UTIMCO outperforms benchmark policy by 100 basis points (1.0%).

MINUTES
U. T. Board of Regents
Academic Affairs Committee
February 3, 2004

The members of the Academic Affairs Committee of the Board of Regents of The University of Texas System convened at 1:40 p.m. on Tuesday, February 3, 2004, in El Gran Sal3n of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Vice-Chairman Krier, presiding
Regent Caven
Regent Craven
Regent Estrada
Regent Huffines

Also present were Chairman Miller (for Item 1), Vice-Chairman Clements, Regent Barnhill, and Counsel and Secretary Frederick.

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

1. **U. T. System: Meeting with officers of the U. T. Brownsville/Texas Southmost College Partnership Advisory Committee**

Committee Meeting Information

Presenter(s): Vice-Chairman Krier; President Garc3a; Chairman Chester Gonzalez, Texas Southmost College Board of Trustees

Status: Discussed/Approved

Motion: Made, seconded, and carried unanimously

Future Action: Keep Vice-Chairman Krier informed on Futures Commission.

Agenda Item:

A meeting with officers of the Partnership Advisory Committee of the U. T. Brownsville/Texas Southmost College (UTB/TSC) Educational Partnership will be held according to the following agenda:

AGENDA

1. Approval of Minutes from the meeting held December 13, 2002
2. Progress report on the Partnership

3. Update on geographical, demographic, and political context of the work of UTB/TSC
4. Report on Futures Commission and Closing the Gaps

Dr. Juliet V. García, President, U. T. Brownsville, will make a PowerPoint presentation found on Pages 31.1 - 31.7 of the Agenda Book.

Members of the Partnership Advisory Committee representing the Texas Southmost College Board of Trustees scheduled to attend are:

- Chairman Chester Gonzalez
- Vice Chair Rosemary Breedlove
- Trustee Mary Rose Cardenas

Other Texas Southmost College Trustees scheduled to attend are:

- Ms. Dolly Zimmerman
- Mr. Eddie Campirano
- Dr. Roberto Robles
- Mr. David Oliveira

BACKGROUND INFORMATION

The Partnership Advisory Committee for the educational partnership between Texas Southmost College and U. T. Brownsville is required by statute (Texas Education Code Section 51.661 et seq.). Members of the Academic Affairs Committee of the Board of Regents also serve on the UTB/TSC Partnership Advisory Committee.

For reference, the following documents related to the Partnership Advisory Committee are attached:

- a. Operating Guidelines (Pages 31.8 - 31.10 of the Agenda Book)
- b. History of the Partnership (Pages 31.11 - 31.16 of the Agenda Book)
- c. Minutes of the 2002 meeting (Pages 31.17 - 31.22 of the Agenda Book)
- d. DVD provided by Dr. García, including excerpts from the December 2003 Texas Southmost College Board of Trustees' meeting (included in pocket in front of notebook for members of the Board of Regents).

Discussion at meeting:

Committee Chairman Krier called the meeting of the U. T. Brownsville/Texas Southmost College Partnership Advisory Committee to order and said the partnership is on the forward end of thinking in higher education and is looked upon as a model by other State delegations. TSC Board Chairman Chester Gonzalez welcomed the Regents to the campus and asked that they continue to foster the partnership, which has contributed to the success of the community. TSC Trustee Mary Rose Cardenas said the partnership is working, and by working as a team and taking advantage of resources, the partnership can continue to grow.

a. *Approval of Minutes*

Committee Chairman Krier asked for approval of the Minutes of the last Partnership Advisory Committee (PAC) meeting by the members of the U. T. Board of Regents serving on the PAC. Chairman Gonzalez asked for approval by the TSC Board members serving on the PAC, and a motion was made by Trustee Cardenas. The December 13, 2002, Minutes were approved.

b. *Progress report on the Partnership*

U. T. Brownsville President García summarized the purpose of the partnership -- to provide more access to higher education to an underserved region in a more efficient and streamlined manner through a partnership between a community college and a university sharing fiscal, physical, and human assets. Dr. García said the purpose of the PAC is to meet once a year and determine progress toward that end. Regent Estrada emphasized the importance of the partnership.

c. *Update on geographical, demographic, and political context of the work of UTB/TSC*

Using a PowerPoint presentation, Dr. García discussed the geographical location of UTB/TSC including off-campus sites. She mentioned several building acquisitions and said some were historically restored by students or converted into classrooms, business incubators, training centers, office space, and student housing. Dr. García said the campus is embedded in an urban community and efforts are being made to revitalize the downtown area and surrounding neighborhoods.

Dr. García said the community was one of the fastest growing, poorest, and most undereducated. The community also has one of the youngest populations in the state. She discussed enrollment and semester credit hour growth at UTB/TSC and said this was probably the most compelling evidence that the partnership model is beginning to achieve its purpose. Dr. García noted

that UTB/TSC is in the top third among the top 100 baccalaureate producers in the country, ranks 10th in the nation with regard to Protective Services graduates, is fifth in the nation for Math Baccalaureate graduates, is first in the nation for Foreign Language graduates, and ranks 52nd among the top 100 producers of Hispanic graduates in the country. However, resources are needed to add more baccalaureate, upper-level, and graduate programs; more faculty; and more facilities. With a decrease in State appropriations, UTB/TSC is aggressively seeking federal funds and looking at different funding mechanisms to add faculty to meet the goal to double in size as a university, both at the graduate and undergraduate levels.

d. Report on Futures Commission and Closing the Gaps

Dr. García reported that in the next few months, the Futures Commission will be compiling a report that will give a community vision of what the future might look like. Committee Chairman Krier said there may be a special meeting of the UTB/TSC PAC before the end of next year in order to see that those ideas are implemented and asked that she be kept informed on the Futures Commission.

Chairman Gonzalez asked the Regents to be advocates for the partnership to the Legislature to get more funding for buildings and faculty. In response to an inquiry from Regent Huffines as to whether there was local resistance to the way the partnership is funded with tax dollars, Chairman Gonzalez responded that although the voters cannot afford more taxes, they are not resistant to education. Trustee Cardenas added that the community is supportive of the partnership, but there are not enough faculty members and classes to accommodate students. TSC Vice Chair Rosemary Breedlove distributed a document prepared for the community entitled "Meeting the Challenge of Higher Education in the Rio Grande Valley," which highlights accomplishments of the partnership.

The PAC meeting concluded at 2:40 p.m. and the partners were applauded.

Committee Chairman Krier welcomed Mr. James D. Spaniolo, President of U. T. Arlington, to his first meeting of the Academic Affairs Committee and continued the meeting of the Academic Affairs Committee.

2. U. T. Dallas: Approval of Ph.D. degrees in Cognition and Neuroscience, Communication Sciences and Disorders, and Psychology; and a Master of Science degree in Psychology

Committee Meeting Information

Presenter(s): Dr. Sullivan

Status: Approved

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish a Doctor of Philosophy (Ph.D.) in Cognition and Neuroscience, Communication Sciences and Disorders, and Psychology and a Master of Science (M.S.) degree in Psychology at U. T. Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Dallas to reflect authorization for the proposed degree program.

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

BACKGROUND INFORMATION

Program Description

Since 1984, the Ph.D. in Human Development and Communication Sciences has served as the doctoral degree for the many disciplines within the School of Behavioral and Brain Sciences. This unique blending of disciplines has led to research initiatives and doctoral study in the fields of cognitive science, neuroscience, psychology, and communication sciences and disorders. While the current degree in Human Development and Communication Sciences has been successful, the degree name has become an impediment obscuring the School's disciplinary strengths in psychology, neuroscience, and cognitive science.

Each of the proposed degrees corresponds to an existing track in the current Ph.D. in Human Development and Communication Sciences. Under the proposal, the basic content and structure of the existing Ph.D. program will be retained, but students will follow a course of study leading to a degree title more appropriate to the student's background, research, and career interests. The current degree minimum requirement of 90 semester credit hours beyond the bachelor's will be retained for each of the proposed Ph.D. degrees. The proposed M.S. in Psychology degree will

require 36 semester credit hours and will be available for students who do not complete the Ph.D. in Psychology, but who have completed specific coursework to qualify for the master's degree.

Program Quality

The School of Behavioral and Brain Sciences currently offers the Ph.D. in Human Development and Communication Sciences with tracks in each of the disciplinary areas proposed as separate Ph.D. programs. In addition, the School offers a Doctor of Audiology and master's degrees in Applied Cognition and Neuroscience, Human Development and Early Childhood Disorders, and Communication Disorders. A total of 31 current faculty members will participate in the delivery of the proposed programs. In addition, the School is currently engaged in faculty searches for four new tenure/tenure-track positions. Existing resources for library, research, and instruction are appropriate to support the proposed degrees.

Program Cost

Because the proposed degrees are primarily changes in degree titles and in the organization of existing coursework, the new degrees can be implemented with minimal additional costs. Estimated expenditures for the first five years of the proposed programs are \$762,181 (total for all proposed degrees). This includes new costs of \$123,636 for faculty salaries, \$498,816 for graduate assistants, \$132,729 for clerical support, and \$7,000 for supplies and materials. U. T. Dallas will commit \$458,956 of existing resources in addition to \$303,226 in formula funding to finance the first five years of the program.

Discussion at meeting:

Executive Vice Chancellor Sullivan said the purpose of this request was to recognize separate tracks as separate degree programs and to establish a Master's degree in Psychology.

3. U. T. Dallas: Approval of Ph.D. in Public Affairs

Committee Meeting Information

Presenter(s): *Dr. Sullivan*

Status: *Approved*

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish a Doctor of Philosophy (Ph.D.) in Public Affairs at U. T. Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Dallas to reflect authorization for the proposed degree program.

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

BACKGROUND INFORMATION

Program Description

The proposed program will be an interdisciplinary program, administered by the School of Social Sciences, that prepares graduates to assume administrative leadership positions in public, quasi-public, and nonprofit organizations as well as in academic and research institutions. The proposed program will integrate innovative and traditional methods of educational delivery to emphasize the application of theory to practice.

The proposed program is designed specifically for students who possess a master's degree in a relevant field such as public administration, public affairs, public policy, educational administration, or health administration. Students will be required to take 54 semester credit hours beyond the master's degree and successfully present and defend a dissertation.

Program Quality

The School of Social Sciences currently offers the Ph.D. in Economics, Political Economy, and Political Science. At the master's level, the School offers the Master of Public Affairs, a program accredited by the National Association of Schools of

Public Affairs and Administration. The same faculty who teach and conduct research in these programs will teach and supervise research in the proposed program.

The School of Social Sciences has a strong tradition in interdisciplinary education and research, with faculty expertise in economics, geography, political science, public administration, public policy, and sociology. The proposed program will continue the interdisciplinary tradition of the School's Master of Public Affairs and Ph.D. in Political Economy by combining theories, models, and research methodologies from across the social sciences.

Program Cost

Estimated expenditures for the first five years of the proposed program are \$419,681. This includes \$101,452 for new faculty salaries, \$238,317 for program administration, \$70,412 for clerical support, and \$9,500 for materials and supplies. U. T. Dallas will commit \$266,480 of existing resources, \$150,201 of formula funding, and \$3,000 of other institutional funds to finance the first five years of the program.

Discussion at meeting:

Executive Vice Chancellor Sullivan said the program would be administered in the School of Social Sciences, but is designed to prepare students for leadership positions in public and nonprofit organizations. The program has been in development for a couple of years and has had close association with organizations in the Dallas area including school districts.

4. U. T. San Antonio: Approval of Ph.D. in Chemistry

Committee Meeting Information

Presenter(s): Dr. Sullivan

Status: Approved

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Doctor of Philosophy (Ph.D.) in Chemistry at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. San Antonio to reflect authorization for the proposed degree program.

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

BACKGROUND INFORMATION

Program Description

The proposed program is designed to prepare Ph.D. chemists who will integrate chemistry with biological applications, including biotechnology and biomedical research. These specializations have grown rapidly in importance over the past decade and graduates from the program will help fill leadership and employment needs of local, state, and national research institutions and private companies.

Students admitted to the proposed program will complete 49 semester credit hours of organized classes and a minimum of 48 semester credit hours of research and dissertation. Students will have the opportunity to pursue a number of areas of specialization in chemistry, including those that interface with biology such as biotechnology, biomedicine, enzymology, and bioengineering.

Program Quality

Currently, there are 11 tenured or tenure-track faculty in the Department of Chemistry who will participate in the delivery of the program. The current three-year hiring plan within the department calls for the addition of seven tenure-track positions. In addition, biochemists from the U. T. San Antonio Department of Biology and from the U. T. Health Science Center - San Antonio will support the program by teaching specialized courses and serving on dissertation committees.

Considerable funding is currently in place to support the proposed program. External research funding received by the Department of Chemistry is over \$1 million per year and expected to increase as recently hired faculty members receive grants for which they have applied. In addition to external funding, the University has provided the department with over \$2.2 million in start-up and equipment funds, and equipment worth over \$1 million has been donated to the department. Finally, a new building scheduled for completion in early 2004 will allocate 16,000 square feet to the Department of Chemistry.

Program Cost

Estimated expenditures for the first five years of the proposed program are \$4,532,000. This includes \$210,000 for new faculty salaries, \$125,000 for program administrations, \$2,240,000 for graduate assistants, \$432,000 for clerical support, \$125,000 for Library and Information Technology resources, and \$1,400,000 for equipment. U. T. San Antonio will commit \$1,936,835 of existing resources, \$525,500 of federal overhead funds, and \$2,133,665 of formula funding to finance the first five years of the proposed program.

Discussion at meeting:

Executive Vice Chancellor Sullivan said the Coordinating Board recently approved planning authority for this degree, which is well-fitted to development of the current program at U. T. San Antonio. She said there is also the promise of development funds once the degree is in place. An important focus of the degree will be bio-chemistry and other areas of chemistry related to biological sciences.

5. U. T. Austin: Child Care Facility - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): Mr. Sanders

Status: Approved

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

Agenda Item:

RECOMMENDATION

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

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 6 on Page 54 of the Agenda Book.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

June 2006

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Revenue Financing System Bond Proceeds	-	\$2,850,000

Project Description:

The proposed facility of 15,000 gross square feet will allow U. T. Austin to provide childcare services for 200 children. Currently, 60 children are enrolled at the existing student Child Care Center in Wooldridge Hall. The proposed new center will add 140 childcare spaces to be available to the campus community. The project will provide space for classrooms, indoor activities, administrative offices, and other support facilities. In addition, the project will include 10,000 gross square feet for an exterior playground.

The Child Care Center, which serves employees and faculty, has a waiting list of 350 children, more than half of which are infants.

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

Discussion at meeting:

Assistant Vice Chancellor Sanders said this project is an expansion of an existing facility. U. T. Austin President Faulkner said the project is self-financing, will involve a consolidation of an existing child care facility and old elementary school, and will add 140 spaces. Regent Huffines asked what the limitations were since there is a waiting list of 350, but only 140 spaces are being added. President Faulkner responded that although the site size is a limitation, this is a significant addition. Regent Huffines added that the facility was limited to U. T. students, faculty, and staff.

6. U. T. Austin: LBJ Library Plaza Restoration/Lady Bird Johnson Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project (Deferred)

Committee Meeting Information	
Presenter(s):	<i>Vice-Chairman Krier</i>
Status:	<i>Deferred</i>

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the LBJ Library Plaza Renovation/Lady Bird Johnson Center project at U. T. Austin.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 6 on Page 54 of the Agenda Book.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

February 2007

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Grants	-	\$15,000,000
Unexpended Plant Funds		<u>\$15,000,000</u>
		\$30,000,000

Project Description:

This project consists of the rehabilitation and modification of the elevated plaza and drainage system surrounding the LBJ Library, which has leaked for many years. Finishes in occupied spaces of the building, which have been damaged by water infiltration, will be repaired. The 1,000-seat LBJ Auditorium will be modified to allow for a more intimate setting for smaller events. Additionally, a portion of the elevated plaza will be replaced with a garden and amphitheater honoring Lady Bird Johnson.

This project is required to repair the cause of serious water damage that is degrading exterior structural components and interior finishes. Several pieces of the exterior travertine cladding have fallen off the building because of water infiltration and a corroded support system. The drainage system is undersized and improperly designed, contributing to the water infiltration. The paving system of the plaza is also problematic, resulting in severe trip hazards at many locations. The new Lady Bird Johnson Center and Amphitheater would eliminate part of the plaza that leaks and provide a usable link between the LBJ Library and the LBJ School of Public Affairs. Federal funding will be provided in association with the LBJ Library, a federal facility.

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

Discussion at meeting:

Committee Chairman Krier indicated this item would not be considered at this meeting as the financial structure is in the works, but the item will be considered at a future meeting.

7. U. T. Austin: MRI Imaging Center, Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): Mr. Sanders

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President

Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the MRI Imaging Center, Phase I and II project at U. T. Austin.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 6 on Page 54 of the Agenda Book.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

January 2005

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Grants	-	\$5,500,000

Project Description:

U. T. Austin is strengthening research activities in the area of imaging and neuroscience. The proposed project will provide the first imaging facility on the U. T. Austin campus. The building is proposed to be a one-story, 14,000 gross square foot facility, built adjacent to the existing MCC Building on the Pickle Research Center campus. The building will house a functional Magnetic Resonance Imaging (MRI) machine that will be used to conduct research in a variety of areas, but particularly in the area of substance abuse. Support space will include research offices, a control room, preparation room, and a recovery room. It is anticipated that Phase I will be operational by February 2005 to accommodate the functional MRI machine that is to be acquired via separate grant funding.

The proposed MRI Imaging Center will support interdisciplinary clinical and substance abuse research for several departments, including psychology, neurosciences, and the Institute for Advanced Technology. The Center will also provide training for students from graduate programs in clinical psychology, cell and molecular biology, pharmacy, computer science, and engineering. There is enormous potential for the proposed Center to provide academic imaging to impact developing collaborations, new initiatives, and faculty recruitment.

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

Discussion at meeting:

Assistant Vice Chancellor Sanders said this is the initial planning for a grant-funded project to house an MRI machine for research purposes on the J. J. Pickle Research Campus near the MCC Building. U. T. Austin President Faulkner said there has been a need for some time for a functional MRI facility to support psychology, neuroscience, the Waggoner Center for Alcohol and Addiction Research, and other domains of research. A special building, like a garage, is needed to house the instrument. Committee Chairman Krier added that this was a collaborative effort, in part, with the Veterans Administration in Waco. Executive Vice Chancellor Shine

said this was a good example of medical technology diffused into the research world in terms of neuroscience and psychology and therefore, a valuable investment.

8. U. T. Austin: School of Nursing Addition - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): Mr. Sanders

Status: Approved

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

Agenda Item:

RECOMMENDATION

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

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 6 on Page 54 of the Agenda Book.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

July 2006

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
National Institutes of Health Grant	-	\$4,000,000

Project Description:

The project calls for 5,000 gross square feet of renovation work including corrections to address fire and life safety issues and construction of 10,100 gross square feet of infill space on the second and third floors of the existing School of Nursing building to provide two floors of new office and suite space, research seminar rooms, libraries, and general office support space.

The School of Nursing is a nationally recognized institution whose grant procurement success has led to a shortage of space for research within the existing building where there is one formal suite of research offices. All other research work has been moved off-site, thus creating logistical problems. The current proposal provides the space required at a location that allows for logistic efficiency and a high benefit to cost ratio with respect to personnel, infrastructure, and overhead.

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

Discussion at meeting:

In response to a question from Regent Huffines as to whether the feasibility study would cost \$4 million, Assistant Vice Chancellor Sanders said 1-2% of a \$4 million grant from the National Institutes of Health will be used to assess if construction of infill space in the existing building is feasible.

9. U. T. System: Report on the modifications to the Table of Programs

Committee Meeting Information

Presenter(s): Dr. Sullivan

Status: Reported

Future Action: Come back to the Coordinating Board for planning authority for the U. T. Tyler Ph.D. in Human Resources Development after the report on doctoral productivity in the state has been made to the Coordinating Board.

Agenda Item:

REPORT

On January 29, 2004, the Texas Higher Education Coordinating Board will meet to act on the proposed modification to the Table of Programs that was approved by the Board of Regents on August 7, 2003. Dr. Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs, will provide an update on the modifications to the Table of Programs.

Discussion at meeting:

Executive Vice Chancellor Sullivan reported that the Texas Higher Education Coordinating Board approved mission statements for eight of the U. T. System academic institutions and ratified earlier staff approval of the mission statement for U. T. Arlington. The Coordinating Board also approved 70% of requested planning authority for future degree programs and Dr. Sullivan highlighted several of those programs. She said although planning authority for the U. T. Tyler Ph.D. in Human Resources Development was not approved, U. T. System was encouraged to come back to the Coordinating Board for approval after the report on doctoral productivity in the state has been made.

10. U. T. System: Update on the Southern Association of Colleges and Schools (SACS) accreditation issues

Committee Meeting Information

Presenter(s): Dr. Sullivan, President Natalicio, President Faulkner, President Sorber

Status: Discussed

Future Action: Address accreditation issues and find solutions to more effectively deal with these issues and bring back to the Committee.

Agenda Item:

REPORT

Executive Vice Chancellor Sullivan will provide an update on the Southern Association of Colleges and Schools (SACS) accreditation issues.

Discussion at meeting:

Executive Vice Chancellor Sullivan said the recent probation of U. T. Arlington raised a number of issues on how the SACS accreditation process works. She gave a brief overview of SACS and noted if an institution is not accredited, it cannot administer federally-funded financial aid. The U. T. System must be accredited through SACS since it is the accrediting agency for the region.

U. T. El Paso President Natalicio distributed a handout as shown on Pages 18 - 20 describing the planning process involved in preparing for accreditation by SACS including an estimated cost. She remarked SACS is more about the process and said a tremendous investment of personnel hours is required and other than the eligibility requirement for financial aid, there is no real added value in the process, particularly as the U. T. System enters into a far more elaborate accountability framework.

President Faulkner said U. T. Austin will be revisited in 2007 and described the process as onerous. He said the same accreditation process covers all higher education institutions in the region despite the diversity of the institutions. Dr. Faulkner briefly described the U. T. Austin process that began with a self-study. A few concerns by SACS resulted in a warning before accreditation was eventually granted.

U. T. Arlington President ad Interim Sorber summarized the process that led to the institution's probationary status that was based on a technicality related to the revised mission statement for U. T. Arlington. The mission statement was approved by Coordinating Board staff and faxed to SACS on December 19, 2003, and was ratified by the Coordinating Board at their January 2004 meeting. Dr. Sorber said

although SACS has recognized the possibility of human error and is holding U. T. Arlington's probationary status in abeyance until mid-March, the process has been a bureaucratic nightmare.

In response to an inquiry by Regent Huffines on how SACS is funded, President Faulkner replied that the institutions pay fees and dues in addition to any costs associated with accreditation including travel. Chancellor Yudof said the accreditation system in the United States is not working and Executive Vice Chancellor Shine suggested drawing on the experience of other accrediting bodies that have made improvements and make an effort to collaborate with institutions outside of the U. T. System to effect change. U. T. Brownsville President García noted two points: (1) she has attended a few SACS meetings in which Texas institutions have threatened to secede, and (2) there is a group that accredits accrediting agencies. President Natalicio said that other accrediting agencies use different sets of criteria or processes that vary within regional groups, but SACS has one set of criteria that is difficult to use since the southern Texas institutions are so diverse. She said no value is added from the SACS review and suggested using the accountability framework and outcome measures at the U. T. System level to demonstrate fulfillment of the SACS criteria. U. T. Tyler President Mabry agreed with the problematic one-size-fits-all issue and suggested looking at how the North Central Association operates.

Committee Chairman Krier asked Executive Vice Chancellor Sullivan, Executive Vice Chancellor Shine, Vice Chancellor Shute, and the component presidents to work together to bring back recommendations to most effectively address these issues.

Estimated Cost of Re-accreditation
by the Commission on Colleges, Southern Association of Colleges and Schools (SACS)

Presented by President Diana Natalicio, University of Texas at El Paso
to the U.T. System Board of Regents, February 2004

The Commission on Colleges of the Southern Association of Colleges and Schools (SACS) will consider re-accreditation of The University of Texas at El Paso in 2006. The new SACS model focuses on institutional and program outcomes rather than the criteria checklist approach used in the past. The new SACS process requires the production of two major documents: the Compliance Certification and the Quality Enhancement Plan (QEP). These documents are expected to demonstrate the university's success in fulfilling its institutional mission and its continuous efforts to achieve quality improvement.

The institutional accreditation process carries with it significant demands on institutional resources, both human and financial. At UTEP, preparations began approximately 2-1/2 years ago. Several administrators attended special SACS workshops at the 2001, 2002 and 2003 SACS Annual Conferences to learn more about the new process. In addition, administrators and faculty members attended SACS orientation meetings in various cities during fall of 2002.

On campus, UTEP's Center for Institutional Evaluation, Research and Planning (CIERP) prepared an orientation packet on the new SACS re-accreditation model, and CIERP staff delivered a series of presentations to major campus academic and administrative units to acquaint them with the new process and requirements. UTEP's president scheduled several organizational meetings with key administrators to discuss the composition of the Leadership Team required by SACS, as well as the accreditation process and timetable. Follow-up meetings are on-going and will continue for the next three years. UTEP must also invest in the development of a website, as all documentation will be submitted to SACS electronically. Furthermore, the entire UTEP Leadership Team, including the president, is expected to attend a SACS training session in Atlanta in June of this year.

The development of the Compliance Certification will require a substantial time commitment of the many individuals who are responsible for maintaining the required information and by the Leadership Team's work groups that are responsible for reviewing it.

The Quality Enhancement Plan calls for campus-wide participation, and additional meetings of faculty, staff, students, and administrators will be held to solicit input and feedback to the Plan as it develops. The Provost leads this effort, which will also employ campus surveys and focus groups as part of the QEP process.

Coordination and organization of the SACS team's on-site visit will also result in costs to the institution. In addition, continuous electronic and print file maintenance of SACS documentation will be required. Finally, the writing and production of the two primary documents to be posted on the website, as well as the response report to SACS after the on-site visit, will require the services of individuals with writing and editing skills.

This preliminary estimate (see attached) indicates that UTEP's cost to complete the SACS re-accreditation process will be measured in thousands of work hours. Nearly all of these responsibilities will have to be assumed by individuals who will add them to their already heavy workloads. The resulting opportunity cost is high, as key administrators and faculty focus their time and attention on these tasks rather than higher value-added activities, such as program development, faculty/staff/student mentoring, research and proposal writing.

UTEP and other universities have to take seriously SACS' designation by the US Department of Education as gatekeeper for eligibility to offer federal financial aid to students. Beyond that, however, the added value of SACS accreditation to institutional effectiveness appears minimal, particularly in the context of the UT System's development of an Accountability Framework. Ultimately, the value of SACS re-accreditation to students, to the institution, and to the UT System will depend on our ability to link it to—and use it to enhance—the many other accountability and continuous improvement efforts already underway at UTEP.

**The University of Texas at El Paso
SACS - Re-accreditation Cost Analysis
February 3, 2004**

	Hours	Salaries & Benefits	Other Costs
Institutional Effectiveness Leadership Team	641	\$ 47,844	\$ -
Compliance Certification - Administration	1,188	57,396	-
Compliance Certification - Academic	2,400	155,820	-
Quality Enhancement Plan - Campus Team	1,520	115,760	-
Quality Enhancement Plan - College Teams	3,520	190,440	-
Training and Travel Costs	280	20,601	11,064
Web Site Development	3,741	69,305	-
SACS Fee			2,500
SACS Site Visit - 7 person team (Travel)			8,400
Printing and Materials			20,000
Total	13,290	\$ 657,166	\$ 41,964
 Grand Total - All Costs	 13,290	 \$ 699,130	

11. **U. T. Dallas: Report on Project Emmitt, a collaborative effort among the Governor's Office, Texas Instruments, local governments, and others**

Committee Meeting Information

Presenter(s): *President Jenifer*
Status: *Reported*

Agenda Item:

REPORT

Project Emmitt refers to the collaborative effort among the Governor's Office, Texas Instruments, local governments, and others to substantially enhance the research capability of The University of Texas at Dallas and to build a state-of-the-art manufacturing facility to make use of the latest technology.

Executive Vice Chancellor Sullivan will provide an update on Project Emmitt.

Discussion at meeting:

U. T. Dallas President Jenifer gave a brief overview of the City of Richardson's successful effort to compete for the Texas Instruments plant. The effort involved negotiations with the State, city government, and county government to elevate U. T. Dallas to first-tier research university status. He said the team was led by Interim Vice Chancellor Aldridge; Vice Chancellor Smith; Mr. Edwin Smith, Attorney in the U. T. System Office of General Counsel; and U. T. Dallas Engineering Dean Bob Helms. Dr. Jenifer said a template has been developed that can be used by other universities to accomplish a similar effort. He said the project is aggressively moving forward and the first distribution of funds will soon be received. Committee Chairman Krier praised the effort as a good example of public and private sector collaboration and said working closely with Governor Perry on economic development is a role of the U. T. System. Regent Estrada said the greater Dallas area business community is supportive of this collaboration and regional initiative.

12. U. T. Arlington: Proposed changes to Graduate Admissions Criteria and update on Arlington initiatives

Committee Meeting Information

Presenter(s): Dr. Sullivan
Status: Reported

Agenda Item:

REPORT

Dr. Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs, will provide an update on proposed changes to the Graduate Admissions Criteria for U. T. Arlington as included in the Docket on Pages Docket 23 - 53.

Dr. Sullivan will also provide an update on Arlington initiatives.

Discussion at meeting:

Executive Vice Chancellor Sullivan said the 30 pages in the Docket related to changes to U. T. Arlington's Graduate Admissions Criteria were primarily technical in nature and related to Graduate Record Examination changes and the requirement by State law that each graduate program publish its requirements for admission.

Dr. Sullivan also said the Metroplex Council was working on an effort to develop an imaging center that would involve collaboration with U. T. Southwestern Medical Center - Dallas, U. T. Arlington, and U. T. Dallas.

13. U. T. System: Report on FY 2003 post-tenure review

Committee Meeting Information

Presenter(s): Dr. Sullivan
Status: Reported

Agenda Item:

REPORT

Executive Vice Chancellor Sullivan will report on the Fiscal Year 2003 post-tenure review using the attachment on Pages 41.1 - 41.2 of the Agenda Book.

Discussion at meeting:

Dr. Sullivan reported that out of 335 faculty reviews performed in Fiscal Year 2003, there were three unsatisfactory reviews and those faculty members will complete a professional development plan. She said the post-tenure review program has been successful in a number of perspectives, including maintaining the dignity of faculty members by giving them the option to retire.

ADJOURNMENT

Committee Chairman Krier announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 3:45 p.m.

MINUTES
U. T. Board of Regents
Health Affairs Committee
February 3, 2004

The members of the Health Affairs Committee of the Board of Regents of The University of Texas System convened at 11:40 a.m. on Tuesday, February 3, 2004, in El Gran Salón of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Vice-Chairman Clements, presiding
Regent Caven
Regent Craven
Regent Huffines
Regent Krier

Also present were Regent Barnhill, Regent Estrada, and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Clements called the meeting to order. She welcomed Executive Vice Chancellor Shine to his first meeting of the Health Affairs Committee.

1. U. T. System: Report on FY 2003 Post-tenure Review

Committee Meeting Information

Presenter(s): Dr. Shine
Status: Reported

Agenda Item:

REPORT

Executive Vice Chancellor Shine will report on the Fiscal Year 2003 post-tenure review report using the attachment on Pages 43 – 44 of the Agenda Book.

Discussion at meeting:

Dr. Shine reviewed the post-tenure report in the Agenda Book and said the results are outstanding. He said the individual who received the unsatisfactory review was moved from a tenure-track to a nontenure-track position at the institution. He said the results show we are making good choices and a review every six years appears to be working.

2. U. T. Health Science Center - Houston: Update on U. T. Health Science Center - Houston

Committee Meeting Information

Presenter(s): President Willerson and Dr. McKinney

Status: Reported

Agenda Item:

REPORT

In September 2003, President Willerson appointed Dr. Michael McKinney as Senior Executive Vice President and Chief Operating Officer at the U. T. Health Science Center - Houston to assist the institution in meeting its goals and financial challenges; address organizational planning and development; and to advance the educational, research, and ethical mission of the Health Science Center.

Dr. McKinney will report on the improved financial condition of the U. T. Health Science Center - Houston.

Discussion at meeting:

Dr. Willerson gave an overview of the institution, the schools, the impact of Tropical Storm Allison, the reduction in State budget, and the practice plan, which he said was losing money. He said the practice plan was outsourced, and by May 2002, the institution was setting records in collections and billings and had reduced costs of billings by 50%, but the cost of damages incurred from Tropical Storm Allison and reductions in the State budgetary support made it clear that other changes were needed. President Willerson formed a committee to advise him on changes needed. By February 2003, there were some personnel changes. He received further assistance from Dr. McKinney, Chief Audit Executive Chaffin, Mr. Richard St. Onge, and Dr. Peter Fitzgerald of Dallas. Dr. Willerson said during the first quarter of this academic year, the institution has a profitable margin for the first time in approximately 30 years. He said a philanthropic campaign has begun and spoke about constructing new buildings including a new nursing school, an Institute of Molecular Medicine, and a dental school. He said the institution is energetic, and he is appreciative of the support of the Regents, the legislature, and the people of Texas.

In reference to the chart attached on Page 4 regarding financial information for the institution, Dr. McKinney provided more details, saying expenses had decreased \$5.5 million since last year and income had increased about \$7 million due to the hard work of the doctors and employees. He said the outsourcing contract for billings and collections, signed yesterday, will cost about \$4 million per year and about \$1 million less per year to collect. He said this business change will allow the institution to focus on education, research, and service to the public. Dr. McKinney acknowledged receipt of help from other U. T. health institutions. He reported on the

peer review of information technology and said they are in the process of implementing those recommendations. They also had a peer review of the audit function.

Dr. McKinney said the institution will request \$2 million in Tuition Revenue Bonds for the School of Public Health project in Brownsville. They are looking at ways to work together, and he mentioned joint projects with U. T. Medical Branch - Galveston on national security and opportunities with U. T. M. D. Anderson Cancer Center. He said the reorganization of the institution is almost complete, although work remains in the audit and information technology areas. He stated they would centralize policies and coordination among the six schools and use the U. T. System Compact process as a springboard for strategic planning.

Dr. McKinney said changes have been implemented, and the financial situation is stable with a plan in place to keep it stable. He said a good job is being done in general in teaching, research, and patient care. With a 70% response rate, a survey of patients showed 98.5% had an overall good or excellent experience.

**The University of Texas Health Science Center at Houston
Financial Information**

HSC-	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Actual YTD FY 04	193,766,270	191,421,864	2,344,406
Actual YTD FY 03	192,294,637	196,976,974	(4,682,337)
Budgeted YTD FY 04	187,833,576 (1)	188,910,310	(1,076,734)

(1) Prior year fund balances totaling \$3,230,202 were used in the HSC's method of finance. Budgeted current revenues are \$187,833,576.

4

MSRDP-			
Actual YTD FY 04	55,606,810	53,863,056	1,743,754
Actual YTD FY 03	47,833,874	50,705,453	(2,871,579)
Budgeted YTD FY 04	55,452,606	55,119,272	333,334

3. **U. T. M. D. Anderson Cancer Center: Approval of appointments to the M. D. Anderson Services Corporation (Regents' Rules and Regulations, Part One, Chapter I, Section 7 related to Committees and Other Appointments)**

Committee Meeting Information

Presenter(s): Dr. Shine

Status: Approved

Agenda Item:

RECOMMENDATION

It is recommended that the U. T. Board of Regents approve successor appointments of the following two administrative officers of the U. T. System to the Board of Directors of the M. D. Anderson Services Corporation at U. T. M. D. Anderson Cancer Center:

Kenneth I. Shine, M.D., Executive Vice Chancellor for Health Affairs, to replace James C. Guckian, M.D.

Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, to replace Kerry L. Kennedy

BACKGROUND INFORMATION

M. D. Anderson Services Corporation (formerly M. D. Anderson Cancer Center Outreach Corporation) was established in 1989 as a not-for-profit corporation to enhance revenues of The University of Texas M. D. Anderson Cancer Center by establishing joint ventures in selected markets, providing additional referrals to the institution, contracting for delivery of inpatient and out-patient management, utilizing existing U. T. M. D. Anderson Cancer Center reference laboratory services, and fostering additional philanthropy in distant areas. Pursuant to bylaws approved by the Board of Regents, M. D. Anderson Services Corporation shall be managed by a Board of Directors. Three of the Directors, one of whom shall be a Regent and two of whom shall be administrative officers of The University of Texas System, may be appointed by the Board of Regents.

The following outlines the current and proposed Board of Directors:

Current Board (per 5/8/2003 Minute Order)

Leon J. Leach, Chairman of the Board of Directors
Rita C. Clements, Representative of U. T. Board of Regents
James C. Guckian, M.D.
David L. Callender, M.D.
Kerry L. Kennedy
Margaret Kripke, Ph.D.
Martin N. Raber, M.D.

Proposed Board

Leon J. Leach, Chairman of the Board of Directors
Rita C. Clements, Representative of U. T. Board of Regents
Kenneth I. Shine, M.D.
David L. Callender, M.D.
Philip R. Aldridge
Margaret Kripke, Ph.D.
Martin N. Raber, M.D.

4. U. T. System: Report on campus visits to the health component institutions

Committee Meeting Information

Presenter(s): Dr. Shine
Status: Reported

Agenda Item:

REPORT

Dr. Shine will report to the U. T. System Board of Regents on his visits to the health institution campuses since his appointment as Executive Vice Chancellor for Health Affairs in November 2003.

Discussion at meeting:

Dr. Shine discussed his visits to the health component campuses since beginning employment at U. T. System on November 24, 2003. He said he was looking for strategic themes at each campus and said the presidents would meet in a health retreat in February to discuss his observations.

He reported that the state of the health campuses is a healthy one, with each campus distinguished in its own way, with some extraordinary accomplishments in the last year, and extraordinary leadership. He said U. T. Health Center – Tyler is no longer “unsatisfactory” but on the “watch” list with important management developments. He said each campus is challenged economically by a number of factors including difficulties with the payor mix; that is indigent care and the uninsured who pose an increasing problem in this state where 1/4 of citizens are uninsured and in some parts of the state it is 1/3.

Dr. Shine said he is impressed by the dedication of the faculty, not only to their own work, but to the institution and the community, but observed that faculty is sorely stressed with the need to compete for research dollars. With the doubling of National Institutes of Health funding over, there is only a 2-3% increase this year that is probably not going to get better in the national budgetary crisis. He noted faculty are also stressed by the need to increase the amount of patient care to generate income, and recent rules that limit the service of residents and interns to 80 hours/week is a reduction of almost 1/6 at some of our institutions, meaning the faculty has to pick up the pieces for patient care. Executive Vice Chancellor Shine said faculty recommend recruitment of the best and brightest from around the country. He said there are opportunities to strengthen medical education in the curricula by taking some of the best faculty at some campuses and bringing that talent to all campuses. He said a better job needs to be done to recruit graduate students and strengthen collaborations because in the 21st Century, the life sciences will be at the cutting edge of almost all research activities. It is the most heavily funded, will have applications in many areas of science, and requires crucial interactions at the interface of health and engineering, health and mathematics, health and behavioral sciences, and health and social sciences, many of which are strongest on the academic campuses. Dr. Shine commented that the U. T. System suffers from the fact that the health campuses are not, in general, academic campuses and ways to bridge that gap need to be found.

Executive Vice Chancellor Shine summarized lessons learned as the following:

- 1. Need to do a better job at telling the story of the health campuses within and outside the state.*
- 2. Need for a serious, objective, nonpolitical analysis of options to develop an analytical approach to indigent care.*
- 3. Better recruiting packages for faculty to help compete more effectively with the greatest research engines in the U.S.*
- 4. Strengthening of intercampus interactions between the health sciences and academic campuses.*

5. *Examining ways graduate medical education is supported, including review of interns and residents who provide a substantial amount of indigent care. He said the U. T. System gets little support for primary care and little other support for graduate education. He said the largest single source for new physicians for the state are interns and residents.*
6. *Building better collaborations for operations between the campuses, from purchasing to information technology.*
7. *Strengthening public health in the state, particularly looking at the capacity to connect public health to medicine.*
8. *Need for first-rate health economics as a discipline and health services research; areas that are critically important for the ongoing analyses and critically important for education.*
9. *Need to address major issues related to the work force and to the education of students. He mentioned the shortage of nurses as well as physicians.*

Executive Vice Chancellor Shine said his charge from the Chancellor was to not “manage the system”, but to undertake initiatives on behalf of the System, whether in indigent care, graduate medical education, nursing education, creation of a research environment for the state, and perhaps technology transfer and commercialization. He said he looks forward to working closely with the leadership of the academic campuses, the Chancellor’s Office, and the Regents to take The University of Texas to where it belongs, which is Number One in terms of its capacity to do important research education and patient care for health.

ADJOURNMENT

Chairman Clements announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 12:20 p.m.

MINUTES
U. T. Board of Regents
Facilities Planning and Construction Committee
February 3, 2004

The members of the Facilities Planning and Construction Committee of the Board of Regents of The University of Texas System convened at 4:45 p.m. on Tuesday, February 3, 2004, in El Gran Sal3n of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Regent Huffines, presiding
Vice-Chairman Clements
Vice-Chairman Hunt
Regent Barnhill
Regent Estrada

Also present were Vice-Chairman Krier, Regent Barnhill, Regent Caven, and Counsel and Secretary Frederick.

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

Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction, presented a PowerPoint on design development plans and economic impact for Items 1 - 3 as attached on Pages 3.1 to 3.20, which is on file in the Office of the Board of Regents.

1. **U. T. Austin: Gregory Gymnasium Aquatics - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approve design development; approve alternative energy economic feasibility; appropriate funds and authorize expenditure; and parity debt**

Committee Meeting Information

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

Status: Approved with change in source of funds of \$600,000 from Designated Tuition to Auxiliary Enterprise Balances

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget for the Gregory Gymnasium Aquatics project at U. T. Austin.

Project Number: 102-010

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: August 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 7,300,000	\$ 7,300,000
	Auxiliary Enterprise Balances	\$ 4,460,000	\$ 6,000,000
	Designated Tuition	\$ 600,000	\$ 600,000*
		\$12,360,000	\$13,900,000

[*Note: On February 3, 2004, the Facilities Planning and Construction Committee approved the change in source of funds of \$600,000 from Designated Tuition to Auxiliary Enterprise Balances. See Item 1 on Page 45 of the Minutes, which are on file in the Office of the Board of Regents.]

Debt Service: The \$7,300,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times.

- Additional Recommendations:**
- a. increase total project cost;
 - b. approve design development plans;
 - c. approve the evaluation of alternative energy economic feasibility;
 - d. appropriate funds and authorize expenditure of funds; and
 - e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt

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

- U. T. Austin, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,300,000.

Previous Board Actions:

On November 10, 1999, the project was added to the CIP with a total project cost of \$10,330,000. On August 9, 2001, the project was adopted in the CIP with a total project cost of \$12,360,000.

Project Description:

The Gregory Gymnasium Aquatics project at U. T. Austin will construct an outdoor pool complex and renovate and modernize the existing Gregory Gymnasium pool. This complex will enhance and support the program of the Division of Recreational Sports and the Department of Kinesiology and Health Education. Approval of this item increases the total project cost to fund the project scope, schedule, and budget adjustments.

The outdoor pool components will provide a large lap pool, large and small multipurpose pools and space for instruction, recreation, and student social activities including food concession, equipment storage, control and operation facilities, locker rooms, lifeguard facilities, stage platform, and specific dedicated deck and landscape areas. The indoor renovation includes a wet classroom, equipment storage, lifeguard facilities, support space, and an expansion of the second-level Games Room within Gregory Gymnasium.

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

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

Discussion at Meeting:

Committee Chairman Huffines said the \$600,000 proposed from Designated Tuition for this project had been changed to Auxiliary Enterprise Balances, and he personally feels strongly that tuition should not be used for this project.

Regent Huffines said this project dates back to 1999 when the student body had a referendum to vote a fee on themselves, which passed almost 68% in favor of the



THE UNIVERSITY OF TEXAS SYSTEM

Design Approvals

February 3, 2004

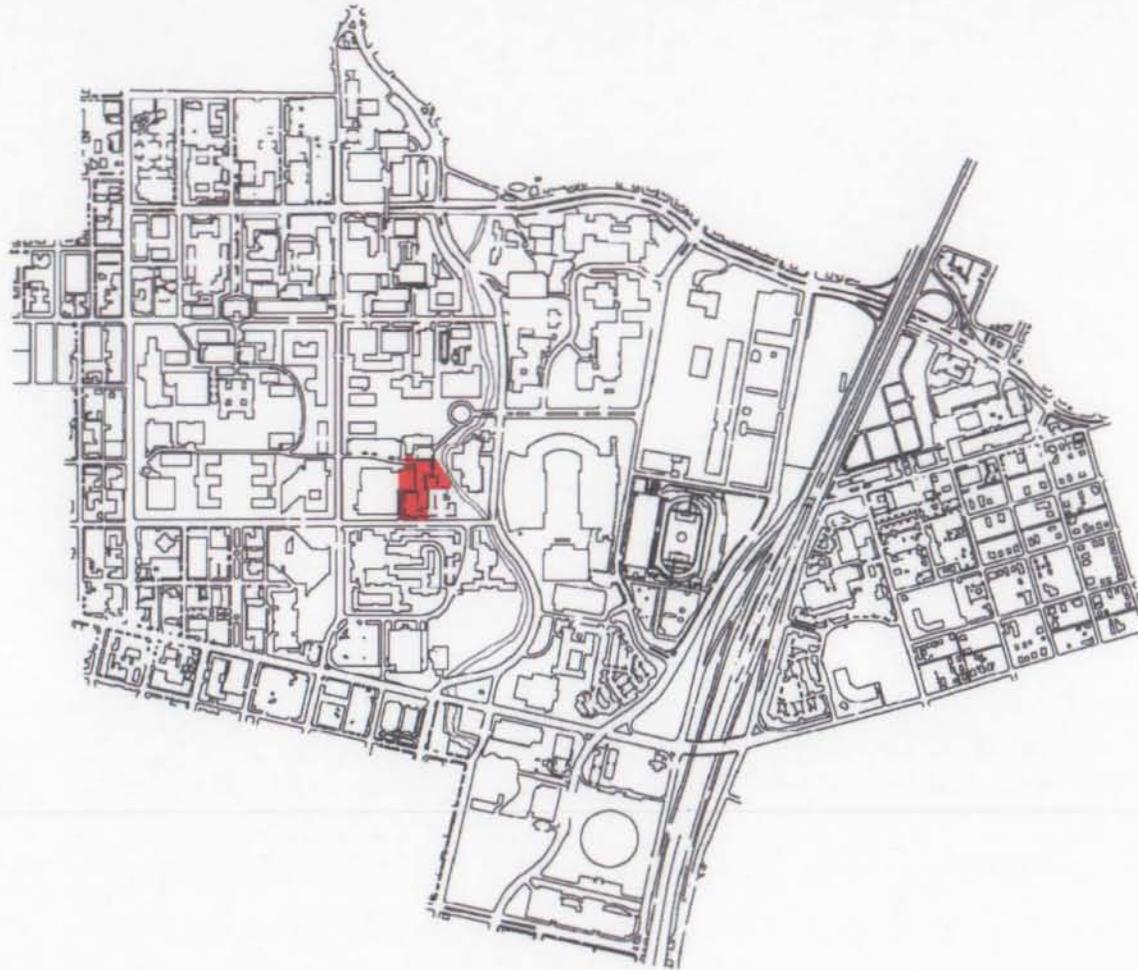
Facilities Planning and Construction Committee



The University of Texas

3.2

The University of Texas at Austin



The University of Texas at Austin
Gregory Gymnasium Aquatics — Campus Plan

3.4



The University of Texas at Austin
Gregory Gymnasium Aquatics — Existing Site Plan



The University of Texas at Austin
Gregory Gymnasium Aquatics — Proposed Site Plan



The University of Texas at Austin
Gregory Gymnasium Aquatics — View Looking North

Estimated Economic Impact

Total project cost: \$ 13,900,000

- **Construction economic impact** \$ 46,000,000
- **10-year earnings economic impact** \$ 3,000,000

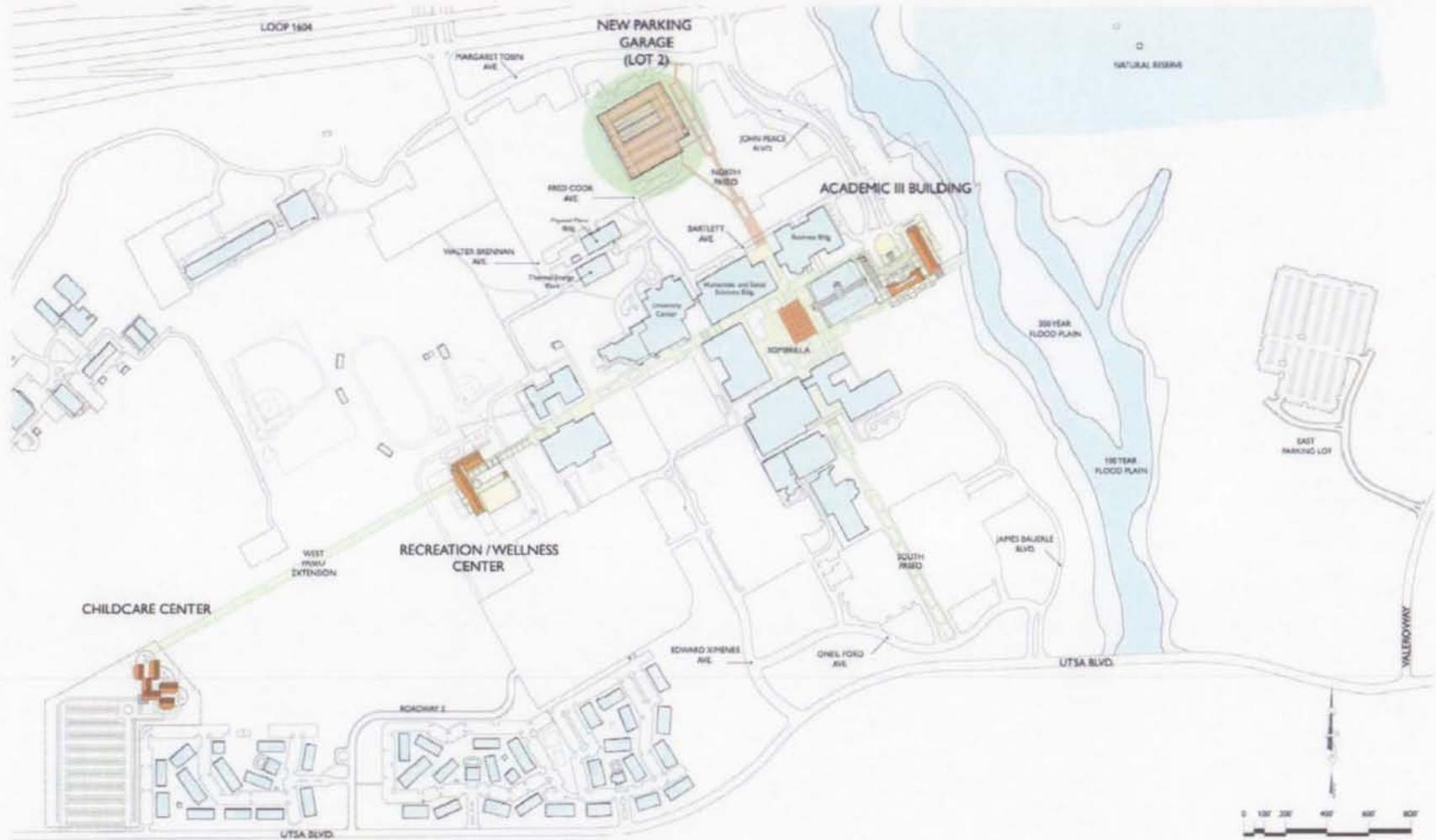
Total estimated economic impact \$ **49,000,000**



The University of Texas

3.8

The University of Texas at San Antonio



The University of Texas at San Antonio
Academic III Building Campus Parking Garage — Campus Plan



The University of Texas at San Antonio
 Academic III Building Campus Parking Garage — Site Plan



The University of Texas at San Antonio
Academic III Building Campus Parking Garage — Perspective



The University of Texas at San Antonio
Academic III Building Campus Parking Garage — Perspective

Estimated Economic Impact

Total project cost: \$ 9,450,000

- **Construction economic impact** \$ 31,000,000
- **10-year earnings economic impact** \$ 24,000,000

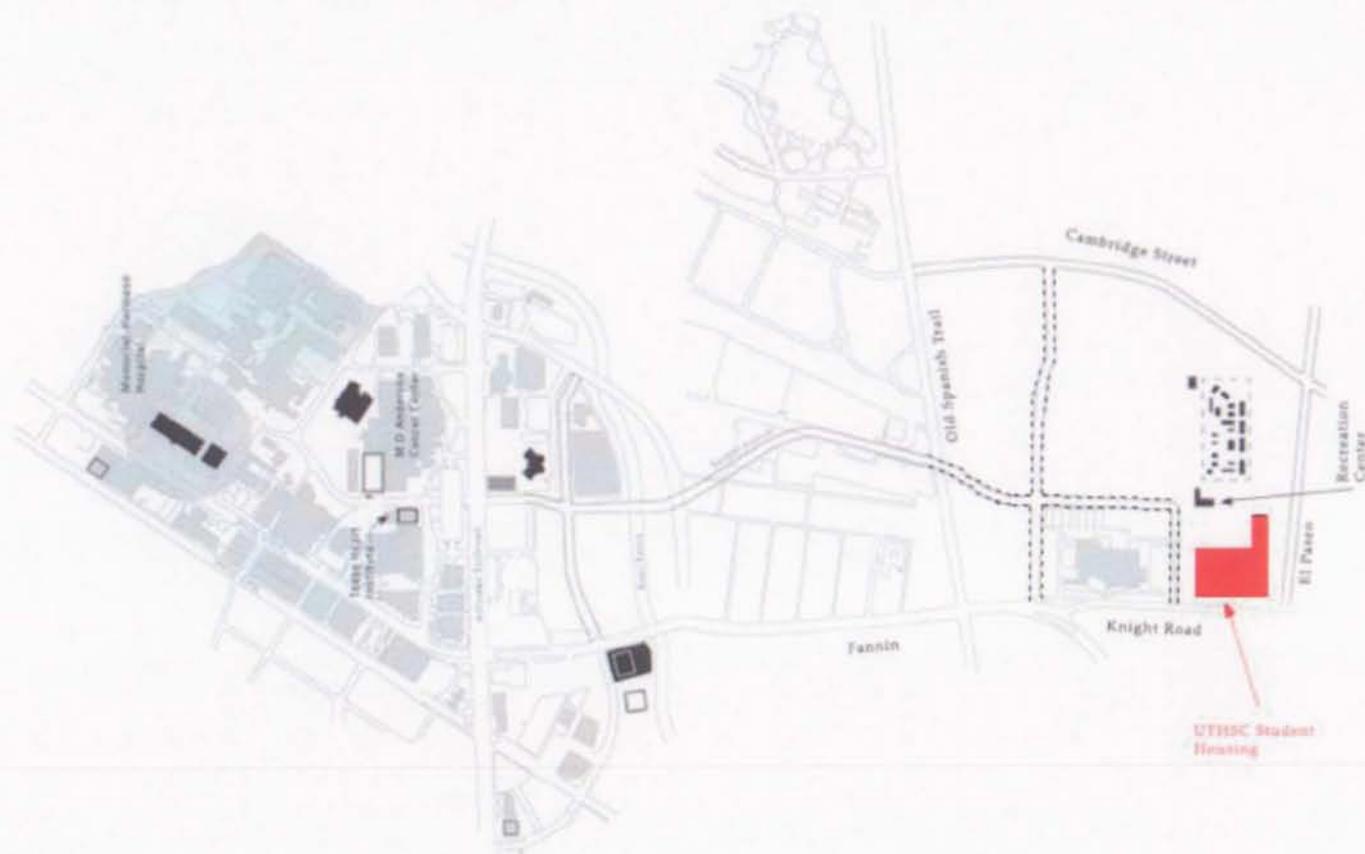
Total estimated economic impact \$ **55,000,000**



The University of Texas

3.14

**The University of Texas
Health Science Center
at Houston**



The University of Texas Health Science Center at Houston
Expansion of Student Housing — Campus Plan



The University of Texas Health Science Center at Houston
Expansion of Student Housing — Site Plan



The University of Texas Health Science Center at Houston
Expansion of Student Housing — Aerial Perspective



The University of Texas Health Science Center at Houston
Expansion of Student Housing — View from Northeast



The University of Texas Health Science Center at Houston
Expansion of Student Housing — Courtyard Perspective

Estimated Economic Impact

Total project cost: \$ 22,500,000

- **Construction economic impact** \$ 74,000,000
- **10-year earnings economic impact** \$ 183,000,000

Total estimated economic impact \$ **257,000,000**

3.20

The University of Texas Health Science Center at Houston
Expansion of Student Housing

fee. The project has been delayed for almost five years, and he believes it is time to honor what the students asked for and voted for themselves.

2. U. T. Health Science Center - Houston: Expansion of Student Housing - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to reduce total project cost; approve design development; approve alternative energy economic feasibility; appropriate funds and authorize expenditure; and parity debt

Committee Meeting Information

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

Status: Approved

Motion: Made by Regent Hunt, seconded by Vice-Chairman Clements, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget for the Expansion of Student Housing project at U. T. Health Science Center – Houston.

Project Number: 701-856

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2005

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Revenue Financing System Bond Proceeds	\$28,700,000	\$22,500,000

Debt Service: The \$22,500,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times.

Additional Recommendations:

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

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$22,500,000.

Previous Board Actions:

On August 10, 1995, the project was included in the CIP with a total project cost of \$2,904,083. On May 9, 1996, the total project cost was increased to \$3,676,000. On November 11, 1999, the total project cost was increased to \$7,000,000. On November 13, 2002, the total project cost was increased to \$28,700,000 to increase the project scope to add approximately 229 units.

Project Description:

The new apartment complex will be located west of an existing U. T. Health Science Center - Houston apartment complex and the existing U. T. Health Science Center - Houston recreation center. The new complex will consist of approximately 315 units (with approximately 340 beds) in a cluster of four-story buildings surrounding a four-story structured parking garage with approximately 400 parking spaces. There will be a new conference room, mailroom, refreshment room, game room, and volleyball court. There will be extensive relocation of existing recreation sport courts, surface parking, drive lanes, and a guardhouse to make way for the new complex.

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

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

Discussion at Meeting:

Regent Huffines said the project came to the Board for the first time nine years ago, and he knows the people of Houston are pleased about the action being taken.

3. U. T. San Antonio: Academic Building III (Campus Parking Garage, Phase III) - Approve design development; approve alternative energy economic feasibility; appropriate funds and authorize expenditure; and parity debt

Committee Meeting Information

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendations listed below for the Academic Building III (Campus Parking Garage, Phase III project) at U. T. San Antonio.

Project Number: 401-997

Architecturally or Historically Significant: Yes No

Project Delivery Method: Design/Build

Substantial Completion Date: March 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$37,332,154
	Tuition Revenue Bond Proceeds	\$15,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 9,450,000</u>
		\$61,782,154

Debt Service: The \$9,450,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues from parking operations. Annual debt service on the \$9,450,000 is projected to be \$686,532. Debt service coverage is expected to be at least 1.3 times.

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

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. San Antonio, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$9,450,000.

Previous Board Actions:

On August 14, 1997, Academic Building III was approved as part of the Capital Improvement Program adoption with a total project cost of \$15,000,000. On August 10, 2000, Academic Building III received design development approval and approval of a total project cost of \$52,000,000. On May 29, 2001, the total project cost was increased by Chancellor approval to \$52,332,154. On August 7, 2003, the Campus Parking Garage, Phase III was approved as part of the Capital Improvement Program with a total project cost of \$9,450,000. On November 13, 2003, the Campus Parking Garage, Phase III project was combined with the Academic Building III project with a total project cost of \$61,782,154.

Project Description:

The Campus Parking Garage III project will be constructed immediately following completion of the Academic Building III, which is currently under construction. The projects were combined because the design team is already mobilized and understands the design characteristics. In addition, completion of the garage will help mitigate the parking shortage at the site.

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

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

4. U. T. Tyler: Campus Master Plan Update

Committee Meeting Information

Presenter(s): Mr. Sanders and President Mabry

Status: Reported

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

Agenda Item:

REPORT

Dr. Rodney H. Mabry, President of The University of Texas at Tyler, and Mr. Sidney J. Sanders, Assistant Vice Chancellor, Office of Facilities Planning and Construction, will narrate graphics illustrating the 2003 Campus Master Plan for U. T. Tyler. The presentation will include recent and projected trends in enrollment, including growth in specific disciplines and the addition of new programs that will require specialized space.

U. T. Tyler expects to increase enrollment to 7,000 students by Fall 2012. The proposed Campus Master Plan will highlight the institution's needs to accommodate this growth. The original Campus Master Plan was prepared in 1973 and revised in 1981. The Plan was revised to address standard formatting guidelines and was approved by the U. T. Board of Regents on May 11, 2000.

The goal of this Campus Master Plan is to guide the development and placement of buildings, streets, infrastructure, and landscaping to support the mission and expected growth at U. T. Tyler.

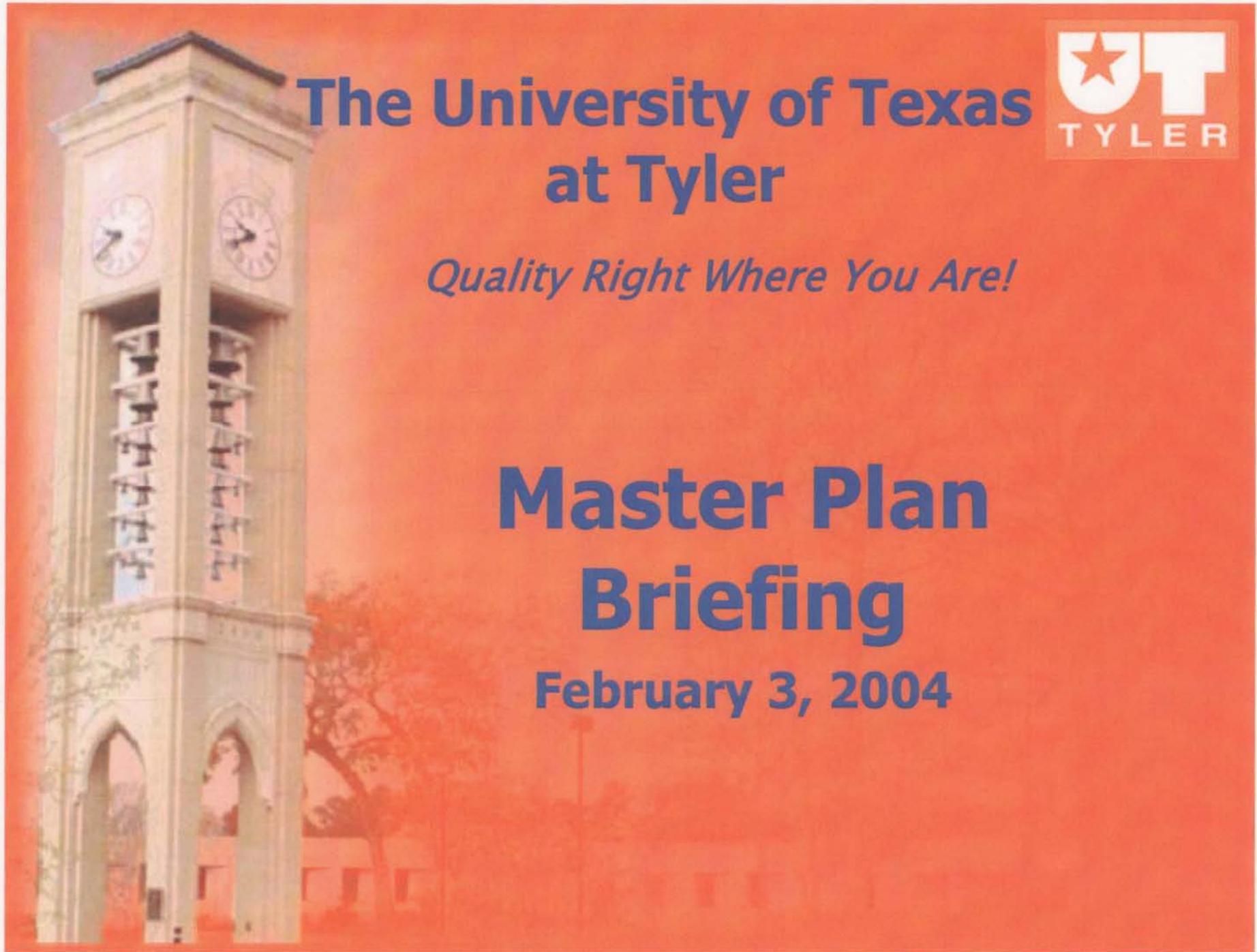
Discussion at Meeting:

President Mabry gave a PowerPoint presentation entitled, "Master Plan Briefing" as follows on Pages 9.1 to 9.11, which is on file in the Office of the Board of Regents.

Regent Estrada asked if the area east of Old Omen Road is developed, and President Mabry responded the area was undeveloped. He said the land across from the entrance to campus is what is now available and has actually gone on the market and been advertised. It is a commercial corner, and this part is being planned for apartments by more than one group.

Regent Estrada asked about the ownership of the land. President Mabry responded that they know who owns the land. The land is held in two trusts, and he thinks several people will bid for the land. Right now the land is not expensive in the grand scheme of things, but once all of the apartments go up, it will be expensive. That is not a bad use for the land necessarily if the University had plenty of land, but the campus is rapidly becoming landlocked in this area.

Regent Huffines said that Vice-Chairman Clements mentioned the University should probably attempt to acquire the land. He asked President Mabry if he was going to come back to the Board with a specific recommendation. President Mabry said yes, he hopes so, and that they are working through the process.



The University of Texas at Tyler



Quality Right Where You Are!

Master Plan Briefing

February 3, 2004

Topics



- Planning Considerations
- U. T. Tyler Master Plan
- Projects (Completed and Required)
- Future Plans

East Texas Environment

College Participation Rate



- East Texas has the lowest university participation rate of any Texas region.

- 4-Year University Participation Rate
(college-age population 18 to 34 for year 2000)
 - Texas (statewide) – 6.7%
 - South Texas Border Counties – 6.5%
 - East Texas 14 co planning region – 5.2%

East Texas Environment

UT Tyler Enrollment



- **12.4% headcount increase this year**
surpassed Coordinating Board anticipated enrollment targets
for the past 5 years

- **Student Credit Hour Increase** (students in classrooms)
 - 19% this year
 - 17% last year

Partners in Growth

Funding for Capital Structures (past 5 years)



- State & U. T. System (TRB and PUF) – \$53 Million
- Gifts from Private Donors – \$24 Million
- Student Fees for Patriot Center

Aerial View of Campus



Campus Master Plan



9.7



Completed Projects

within past 5 years



- **Student Services**
 - Subway food service
 - Practice/Intramural Soccer field
 - Upgraded Tennis courts
- **Infrastructure upgrades/improvements**
 - Campus roads resurfacing
 - Campus directional signage
 - Parking Lot 15
 - Chillers in Central Utilities Plant
- **Aesthetic improvements**
 - Braithwaite Gardens
 - Ralph and Mary John Spence Fountain and Plaza
 - Dub and B.J. Riter Millennium Carillon Tower
 - Alumni Wall at University Center
- **Longview University Center** (satellite facility with separate master plan)
- **Palestine** (satellite facility with separate master plan)
- **Herrington Patriot Center**
- **Braithwaite Nursing Building** (31% increase in student enrollment)

Future Projects

Planning - next 10 years



- Student Services
 - Baseball/Softball Fields
 - Residence Hall
 - Student Apartments
 - Soccer Field
 - Health Clinic
 - Student Honors Houses
 - Indoor Tennis
 - All Faiths' Center
 - Alumni House
- Infrastructure
 - Parking Lots
 - New Entry
 - Energy/Heating/Cooling Plant

(continued)

Future Projects

Planning - next 10 years (continued)



- Major Structures
 - Engineering, Science and Technology Building
 - Education and Psychology Building (renovation)
 - University Center (renovation)
 - Art Building (addition)
 - Longview and Palestine (separate master plan)
 - Music and Theater (addition)
 - Classroom Building (3)

Land Acquisition



9.11



5. U. T. System: Office of Facilities Planning and Construction Project Status Report

Committee Meeting Information
<p>Presenter(s): Mr. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction Status: Reported and U. T. Austin Biological Science – Wet Lab Building approved as architecturally significant Motion: Made by Vice-Chairman Clements, seconded, and carried unanimously</p>

Agenda Item:

REPORT

The project status report for building construction for the U. T. System is set forth below.

At the request of Regent Huffines, a similar report will be given at each Facilities Planning and Construction Committee meeting.

<u>Component/Project</u>	Date Designated As architecturally/historically significant	Status of Project
<p>U. T. Austin Jack S. Blanton Museum of Art</p>	January 2000	In construction 10% complete
<p>U. T. Austin Biological Science - Wet Lab Building</p>	March 2000	In construction 50% complete
<p>U. T. Austin Biomedical Engineering Building</p>	November 2003	Architectural Selection February 2004
<p>U. T. Dallas Natural Science and Engineering Research Building*</p> <p>* Representatives appointed by Facilities Planning and Construction Committee Chairman as project <u>not</u> designated as architecturally or historically significant.</p>	November 2003	Architectural Selection January 2004
<p>U. T. San Antonio Biotechnology, Sciences and Engineering Building (formerly Engineering/Biotechnology Building – Phase III)</p>	April 2000	In construction

U. T. Medical Branch - Galveston University Plaza Development	October 2001	Construction to start in March
U. T. Health Science Center - Houston Research Expansion Project (Institute of Molecular Medicine)	January 2002	Construction started in December
U. T. Health Science Center - San Antonio Medical Research Division of the RAHC (formerly Hidalgo County Medical Research Division of the RAHC)	April 2000	In construction
U. T. Health Science Center - San Antonio Sam and Ann Barshop Center for Longevity and Aging Studies	April 2001	In construction 10% complete
U. T. M. D. Anderson Cancer Center Ambulatory Clinical Building	April 2000	In construction 60% complete

Discussion at Meeting:

Mr. Sanders gave a PowerPoint presentation entitled, "Building Construction Status Report" as follows on Pages 11.1 to 11.9, which is on file in the Office of the Board of Regents.

Regarding architecturally significant status, Mr. Sanders said interviews for four firms were conducted on Friday for the U. T. Austin Biomedical Engineering Building, and an architect needs to be selected. Committee Chairman Huffines said Regent Clements and he participated in this process, and he complimented Mr. Sanders for a well-run and efficient process that was kept on time with the schedule. The committee recommendation was to choose 3D/I for this project.

Regent Huffines thanked Mr. Sanders for the report and said this is an excellent way to keep the Committee updated on architecturally significant projects.

[Note: Mr. Sanders inadvertently identified the project as the Biological Science - Wet Lab Building.]



THE UNIVERSITY OF TEXAS SYSTEM

Building Construction Status Report

February 3, 2004

Facilities Planning and Construction Committee



U. T. Austin Jack S. Blanton Museum of Art



11.2



U. T. Austin Biological Science—Wet Lab Bldg.

11.3





U. T. San Antonio Biotechnology, Sciences and Engineering Building

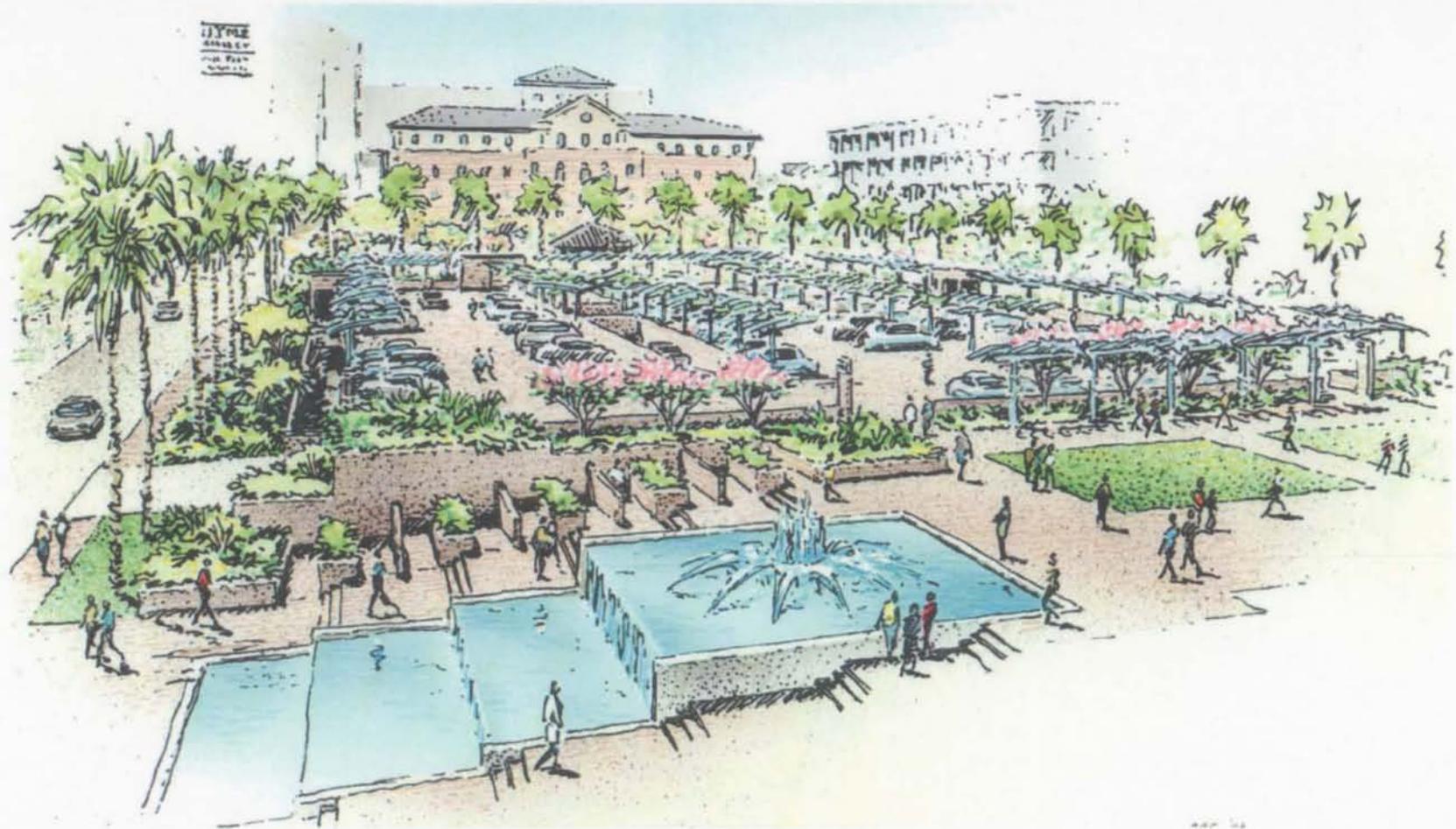
11.4





U. T. Medical Branch Galveston University Plaza Development

11.5





U. T. H. S. C. Houston Research Expansion Project



11.6



U. T. H. S. C. San Antonio Hidalgo County RAHC



117



U. T. H. S. C. San Antonio Sam and Ann Barshop Center for Longevity & Aging Studies



11.8



U. T. M. D. Anderson Cancer Center Ambulatory Clinical Building



11.9

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

Committee Meeting Information

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

Status: U. T. Austin Hotel and Conference Center designated as architecturally significant

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

Future Action: Chairman Huffines appointed Vice-Chairman Clements and Regent Barnhill to the institutional Architect Selection Advisory Committee for the U. T. Austin Hotel and Conference Center.

Agenda Item:

RECOMMENDATION

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

- **U. T. Austin**

Child Care Facility

Project Cost: \$2,850,000

Anticipated Delivery Method: Construction Manager at Risk
(see Item 5 on Page 36 in the Agenda Book)

Hogg Auditorium Renovation

Project Cost: \$15,000,000

Anticipated Delivery Method: Construction Manager at Risk

Hotel and Conference Center

Project Cost: \$55,000,000

Anticipated Delivery Method: Construction Manager at Risk

LBJ Library Plaza Restoration/Lady Bird Johnson Center

Project Cost: \$30,000,000

Anticipated Delivery Method: Construction Manager at Risk
(see Item 6 on Page 37 in the Agenda Book)

MRI Imaging Center, Phase I and II

Project Cost: \$5,500,000

Anticipated Delivery Method: Construction Manager at Risk
(see Item 7 on Page 38 in the Agenda Book)

School of Nursing Addition

Project Cost: \$4,000,000

Anticipated Delivery Method: Construction Manager at Risk
(see Item 8 on Page 39 in the Agenda Book)

- **U. T. Health Science Center – Houston**

New Teaching and Clinical Research Facility Phase I

Project Cost: \$19,550,000

Anticipated Delivery Method: Construction Manager at Risk

- **U. T. M. D. Anderson Cancer Center**

Faculty Center Two

Project Cost: \$73,000,000

Anticipated Delivery Method: Construction Manager at Risk

U. T. Research Park Garage 2

Project Cost: \$5,000,000

Anticipated Delivery Method: Competitive Sealed Proposals

Discussion at Meeting:

Committee Chairman Huffines said he received comments from members of the Board on two particular projects to consider as architecturally significant including the U. T. Austin Hotel and Conference Center.

President Faulkner said the Hotel and Conference Center project is one in which most of the public discussion has been on the hotel part, and most of the campus is interested in the conference part. He said the University does a lot of postgraduate education for people who are already in the employment sector such as business and engineering plus the campus has been behind the curve in not having a facility where that can happen efficiently.

Dr. Faulkner said the Center is a complex project that will need to operate on its own income. There has been some consulting work done, which is highly encouraging, and an architect is looking at two sites of interest to see if there is a difference in terms of operability. He said the next step will be to hire an architect to do the programming part to determine how the pieces come together because that affects how the finances come together. Dr. Faulkner said the University is some distance from committing to this project.

Regent Huffines said his personal feeling is that because of the scope and the nature of this project of approximately 250 rooms, it will occupy a very prominent space on the campus. He recommended that the Committee declare the project as architecturally significant, and he assured Dr. Faulkner that the project will not be slowed down.

Vice-Chairman Clements asked if Dr. Faulkner was talking about an architect to look mainly at the layout; not to design. President Faulkner agreed, but he encouraged the Committee to adopt this project as architecturally significant. He said the project will be large so it would have a prominence if it comes to be.

Regent Huffines said whoever was selected would stay on the team probably throughout the finishing of the project, and Vice-Chairman Clements said the selection would be of this initial person. President Faulkner responded that this person would have an impact on the ultimate design if the project is executed.

Vice-Chairman Krier asked if it had been determined with whom the University would do the project, as she was aware of competing proposals. President Faulkner said in the first instance, the people would be internal or in partnership with the Ex-Student's Association. At one time, there were competing proposals; however, on campus everyone has come back to a single project. Enough exploration has been done about the various aspects of the different concepts that the finance is now where even the ex-students and the on-campus agents, mainly the business school, are of the same mind on how to pursue this.

Regent Krier asked if they would do it jointly, and President Faulkner agreed that is the on-campus part. He said if the hotel and the conference center were created, the hotel would be operated by contract to a hotel operator.

Regent Krier said she had not heard if either the ex-students or the business school had been selected, who had competing proposals. President Faulkner said they have actually merged, and they feel that the project is large enough to satisfy both of their interests.

Regent Huffines said that even though the project is not before the Board or the Committee today, there was a feeling among some Regents including himself that the Committee would most likely designate the LBJ Library Plaza Renovation/ Lady Bird Johnson Center as an architecturally significant project in May. Dr. Faulkner said he would encourage that as well.

With regard to the Faculty Center Two project at U. T. M. D. Anderson Cancer Center, Dr. Mendelsohn said the reason they want to go ahead with the Center without a detailed look at the architecture is that it will be a second faculty building right behind the first faculty building, and the bottom line is all faculty has been moved out of the clinical space. The first building will handle medicine and surgery primarily, and the second building will handle mainly pathology, radiology, radio-

therapy, biostatistics, and pediatrics. He said all faculty will be in two adjacent buildings, both of which are connected by an aerial passageway to the hospital. The second building will look very similar to the first one but slightly larger.

Regent Huffines thanked Dr. Mendelsohn and said if the Committee declares the Hotel and Conference Center architecturally significant today, he would like to go ahead and name two Regents from the Committee to serve on the selection committee so the process can begin. A motion was made and passed unanimously, and Regent Huffines appointed Vice-Chairman Clements and Regent Barnhill to the Institutional Selection Advisory Committee.

7. U. T. Arlington: Chemistry and Physics Building - Appropriation of additional funds and authorization of expenditure; and parity debt

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents approve the use of additional Revenue Financing System Bond Proceeds for the Chemistry and Physics Building at U. T. Arlington.

Project Number: 301-117

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: November 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$13,000,000	\$13,000,000
	Tuition Revenue Bond Proceeds	\$16,635,945	\$16,635,945
	Revenue Financing System Bond Proceeds	<u>\$10,240,000</u>	<u>\$13,837,000</u>
		\$39,875,945	\$43,472,945

Additional Recommendations: a. appropriate additional funds and authorize expenditure of \$3,597,000 from Revenue Financing System Bond Proceeds; and

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

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and
- U. T. 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,597,000.

Previous Board Actions:

On August 8, 2002, the total project cost was increased from \$29,635,945 to \$34,635,945. On February 13, 2003, the project received design development approval, and the total project cost was increased from \$34,635,945 to \$39,875,945. In January 2004, the Chancellor approved an increase in the total project cost of 3,597,000 for a total project cost of \$43,472,945.

Project Description:

Approval to appropriate additional funds and authorize expenditure of \$3,597,000 from additional Revenue Financing System Bond Proceeds is requested to fund the increased scope of the project to accommodate additional utility construction costs associated with a recent fire on campus and the local bid environment. While this increase in total project cost is below the required review threshold of the Board, approval is needed for the issuance of additional bonds.

8. U. T. Arlington: Deferred Maintenance/Capital Renewal Projects - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approve transfer of funds; and reduce total project cost for Carlisle Hall - Stairwell Towers Addition

Committee Meeting Information

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

Status: Approved

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the Deferred Maintenance/Capital Renewal Project at U. T. Arlington.

Project Number: 301-168

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2006

Total Project Cost: Deferred Maintenance/Capital Renewal Projects	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund	\$1,405,354	\$2,119,134
	Bond Proceeds		

Total Project Cost: Carlisle Hall – Stairwell Towers Addition	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund	\$1,700,000	\$986,220
	Bond Proceeds		

- Additional Recommendations:**
- a. increase total project cost by \$713,780 from \$1,405,354 to \$2,119,134 for the Deferred Maintenance/Capital Renewal Projects;
 - b. approve the transfer of funds of \$713,780 from the Carlisle Hall – Stairwell Towers Addition project for life safety initiatives; and
 - c. reduce the total project cost of the Carlisle Hall – Stairwell Towers Addition project.

Previous Board Actions: On November 16, 2000, the Carlisle Hall – Stairwell Towers Addition project was authorized for institutional management and funding was appropriated. On May 8, 2003, the Deferred Maintenance/

Capital Renewal Projects was authorized for inclusion in the Capital Improvement Program, institutional management, and funding was appropriated.

Project Description:

U. T. Arlington is requesting the transfer of \$713,780 of Permanent University Fund Bond Proceeds from the Carlisle Hall – Stairwell Towers Addition project that has been completed. The institutionally managed Deferred Maintenance/Capital Renewal Projects address exterior masonry repairs to University Hall, chiller replacements at the Automation and Robotics Research Institute (ARRI) (Ft. Worth Riverbend Campus), and elevator renewals and replacements to address maintenance needs and requirements. With significant budget reductions, the funding from Permanent University Fund Bond Proceeds must be retained to address maintenance needs and requirements. The funds will be used for life safety initiatives.

9. U. T. Permian Basin: Request for acceptance of outdoor work of art

Committee Meeting Information

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

Status: *Approved*

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

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Watts that the U. T. Board of Regents accept the gift of an outdoor work of art at U. T. Permian Basin pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 1, Subsection 1.22.

BACKGROUND INFORMATION

U. T. Permian Basin has received a sculpture painted by Art Professor Pam Price from one of U. T. Permian Basin's most generous donors, Mrs. Carolyn Roden, who made the purchase from the Midland Arts Assembly's "Buffalo Basin" fundraising project in which select area artists were asked to create a design and paint a life-size fiberglass buffalo.

The buffalo sculpture will be located in the flowerbed of the courtyard near the Library/Lecture Center and the Mesa Building and the cost of installation and maintenance will be minimal.

ADJOURNMENT

Chairman Huffines announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 5:30 p.m.

MINUTES
U. T. Board of Regents
Student, Faculty, and Staff Campus Life Committee
February 3, 2004

The members of the Student, Faculty, and Staff Campus Life Committee of the Board of Regents of The University of Texas System convened at 3:55 p.m. on Tuesday, February 3, 2004, in El Gran Salón of the Student Union at The University of Texas at Brownsville, 80 Fort Brown, Brownsville, Texas, with the following members of the committee in attendance:

Regent Craven, presiding
Vice-Chairman Clements
Vice-Chairman Hunt
Regent Barnhill
Regent Estrada

Also present were Regent Caven, Regent Huffines, Vice-Chairman Krier, Counsel and Secretary Frederick, and Ms. Shirley Zwinggi, Chair of the U. T. System Employee Advisory Council.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Craven called the meeting to order. Dr. Craven welcomed Regent Barnhill and Ms. Zwinggi to the committee meeting and reported that Mr. Jeremy Chance, Chair of the U. T. System Student Advisory Council, had missed his plane.

1. **U. T. Austin: Discussion of the report of the Task Force on Racial Respect and Fairness**

Committee Meeting Information

Presenter(s): President Faulkner
Status: Reported

Agenda Item:

REPORT

Dr. Larry R. Faulkner will discuss the report of the U. T. Austin Task Force on Racial Respect and Fairness, which was mailed to members of the Board on January 23. Extra copies of the report will be available at the meeting.

BACKGROUND INFORMATION

In March 2003, President Faulkner convened a 15-member Task Force on Racial Respect and Fairness, consisting of students, faculty and staff members. As part of the president's charge, the Task Force was asked to review procedures of the university's police department and examine the cross-cultural educational programs available to the university's police officers, examine the university's ability to exert greater influence over behavioral standards of student organizations and examine the effectiveness with which the university conveys the diversity (the "face" of the student population) to the outside world. The Task Force was also empowered to address any other issues it deemed important to promoting racial respect and cultural diversity within the university community. In response, the Task Force expanded the scope of its review to include gender, age, religion, sexual orientation, and physical and mental ability.

The Task Force completed its deliberations in the Fall 2003 semester and released its report on January 20, 2004. The report recommends the development of four overarching goals:

- Widely articulate the university's commitment to diversity and inclusiveness. Ideas aimed at addressing this goal include a recommendation to create the position of "vice president for diversity and equity" whose role would be to promote and enhance diversity and inclusiveness throughout the university.
- Implement structural and institutional mechanisms for interpersonal and cultural change. This goal calls for creation of a comprehensive "honor code" that addresses interpersonal as well as academic behavior. It would recognize Greek and other student organizations that endorse and abide by the proposed "honor code" and demonstrate their commitment to diversity. It also would encourage entering students to postpone pledging to Greek organizations until the end of their freshman year to allow them an opportunity to develop a broader range of experiences and contacts that may otherwise be limited by their participation in fraternities or sororities. The Task Force also advocated curricular changes, including development of a required course on "a non-U.S. culture, a sub-national ethno-racial culture of the U.S. or a course that explores issues related to gender, race and class."
- Increase recruitment, retention and advancement of historically underrepresented students, faculty and staff. The report notes it is important that initiatives be put into place to retain and successfully advance students, faculty and staff of color within the university. Initiatives include a proposal to establish a committee to investigate possibilities for increasing the recruitment and retention of faculty and administrative staff from historically underrepresented groups within the legal parameters defined by the U.S. Supreme Court.

- Increase The University of Texas Police Department's skill in negotiating diversity and inclusion issues. The report said the police chief and his representatives should emphasize often and unequivocally the department's commitment to racial respect and fairness. It also recommended that the department include "diversity and inclusiveness" as an individual core value of the department's mission statement. Another recommendation is that the police department's definition of "racial profiling" be reviewed, as well as the steps the department is taking to eradicate such practices.

President Faulkner has initiated a process to gather comments from the university community at large over the next 45 days and will then move to develop a specific response to the recommendations.

Discussion at meeting:

Dr. Faulkner summarized the information outlined in the Agenda materials and said he will develop an action plan built on the report of the Task Force. He said the Task Force was established in reaction to a series of incidents that elevated racial tension on campus. He said he had asked the group to look at 3 specific things:

1. *review the procedures of the University's Police Department and examine the cross-cultural education program available to the police officers;*
2. *examine the University's ability to exert greater influence over behavioral standards of student organizations;*
3. *examine the effectiveness with which the University can base its own diversity (the "face of the University"); and*
4. *in a more proactive way, examine other aspects of this general problem deemed important to consider.*

President Faulkner reviewed the group's four large goals as set forth in the Agenda Book. Headed by Dr. Darlene Grant from the School of Social Work, the Task Force submitted an interim report at Dr. Faulkner's request in the middle of the summer. The interim report, which dealt primarily with recommendations for the Police Department, was sent to the Police Department to begin implementing some of the recommended changes.

He said overall, the campus is at a point where it is interested in how to make progress in these areas, some of which involve a lot of delicacy, recognizing that Texas has changed, is changing, and that to be effective, the University community has to operate effectively and develop people well. President Faulkner referenced a theme from his State of the University address delivered in September in which he

said the University needs to find ways to educate students with the skills and knowledge to work effectively across cross-cultural boundaries and that we are not very good at this as a society. He said he held a diversity summit and symposium.

Regent Caven asked about the required course on "a non-U.S. culture, a sub-national ethno-racial culture of the U.S. or a course that explores issues related to gender, race and class" as included in the second bullet on Page 59 of the Agenda Book. Dr. Faulkner responded that neither this Task Force nor the larger community is actually focused on a single course. Rather, the concept is there are a variety of courses offered at the University and students would have an obligation to take one or two of them during the course of his/her curriculum. He said this curricular revision is within the province of the faculty and remarked that he believes we are headed toward a major curriculum review at U. T. Austin as recommended by the Cunningham Committee on Enrollment Strategy. He said the Commission of 125 is interested in a curriculum review. In response to a question if there were any such required courses now on the curriculum, President Faulkner said nothing is phrased exactly like that. There are elements of the curriculum that require cultural broadening. He said he has written some students with suggested courses "to get across these boundaries." Dr. Faulkner later indicated that the last curriculum review was 25 years ago and the next will probably take place in the next year to 18 months.

Regent Caven also asked about the word "advancement" in the third goal of the Task Force as stated on Page 60 of the Agenda Book, asking if there should be "degree attainment of students" as a major objective? Dr. Faulkner clarified that the word probably referred more to faculty and staff and that students are looking to degree attainment whereas faculty and staff look at successful career development.

Vice-Chairman Clements asked if there is a University-wide course for each student? Dr. James Vick, Vice President for Student Affairs, responded that there are certain single-course legislative requirements for English Literature and Composition and American Government and American History but the latter may be satisfied with multiple courses.

Vice Chancellor Brown commented that she was able to attend some of the workshops and remarked that while diversity efforts geared toward students were important, there was recognition that students turn over every five to six years but the faculty and staff endure and define the culture of our institutions and are a good first step to institutionalize that commitment and the objective to achieve a diverse student body and faculty and staff. She also mentioned she asked Director of Police Roy Baldrige to look at these recommendations and make suggestions that could be handled at the Academy level to achieve some of the objectives mentioned in the report.

Regent Barnhill asked Dr. Faulkner if there were any new ideas and efforts to recruit more minority students, and President Faulkner responded there are ideas in the report about student-to-student contact and more aggressive use of scholarship funds.

Committee Chairman Craven reminded people that this committee encompasses the former Special Committee on Minorities and Women and that this committee would continue to bring these types of issues to the forefront. She remarked that the annual forum whereby the component presidents shared successes with Regents was successful and said they would look at ways to continue along those lines.

2. U. T. Brownsville: Overview of Campus Life at U. T. Brownsville

Committee Meeting Information

Presenter(s): President García

Status: Reported

Agenda Item:

REPORT

Dr. Juliet García, President, will provide an overview of campus life at U. T. Brownsville. A PowerPoint presentation is attached on Pages 60.1 - 60.10 of the Agenda Book.

This is the second in a series of campus life presentations that will be made at the Student, Faculty, and Staff Campus Life Committee meetings.

Discussion at meeting:

Committee Chairman Craven thanked Dr. García for the campus tour and for “growing our own” in terms of faculty and staff. Showing a PowerPoint presentation, Dr. García reviewed statistics relating to student enrollment and financial aid such as: an enrollment high of 11,000 students, 60% are female, 53% receive some sort of financial aid, 70% of full-time students were awarded a Pell grant, and 41% borrowed on a federal student loan. She said there is still a large, unmet financial need, which averages \$10,000, with a financial aid package of about \$5,000, leaving a remainder unmet need at \$4,700 on average, thus a hesitancy to raise tuition and fees. She said the faculty/student ratio is about 1/32 and commented on increased campus housing and increased student life activity. The University scholarshipped cohorts of students in music, chess, some migrant students, and athletes. She said, since more students are living on campus, there has been a 40% increase in student organizations on campus in the last two years, and commented that encouraging students to be more active on campus will encourage them to be more active in life.

She said the average age for housing is 20. She spoke about hiring a chess coach for the award-winning chess program with the goal to beat U. T. Dallas and then she showed a short video about the Jason Project whereby 10,000 school children visit campus to study science.

3. U. T. System: Results of the 2003 National Survey of Student Engagement

Committee Meeting Information

Presenter(s): Dr. Baldwin

Status: Reported

Future Actions: Provide a breakdown of the statistics in the 2003 National Survey of Student Engagement and make it available on the Web as requested by Regent Craven.

Agenda Item:

REPORT

Dr. Ed Baldwin, Research and Policy Analyst, will provide a PowerPoint presentation, as provided on Pages 61.1 - 61.19 of the Agenda Book, outlining the results of the 2003 National Survey of Student Engagement (NSSE).

Discussion at meeting:

In the interest of time, Dr. Baldwin shortened his slide presentation, discussing only slides on Pages 61.14 - 61.19 of the Agenda Book. He said the survey looked at student participation in educational and co-curricular activities such as recreational sports and journalistic activities. The research indicates students perform better in college when they are engaged in both educational and extracurricular activities. In 1999, the Legislature determined that each agency had to survey its constituents, so this is the third time the U. T. System has participated in the NSSE survey. He said some of the information (e.g. did you enjoy yourself/did you get a good education/would you come back to this school again?) would appear in the accountability report, broken down by institution. Vice Chancellor Brown asked if we could compare results across peer institutions outside the U. T. System and Dr. Baldwin said yes, each institution receives the results of its students and also students in like institutions. Regent Craven asked for a breakdown of the statistics in the 2003 National Survey of Student Engagement and to make it available on the Web.

ADJOURNMENT

Chairman Craven announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 4:40 p.m.