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FOR
SPECIAL CALLED TELEPHONE
MEETING OF THE BOARD**

June 20, 2008
Austin, Texas

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10:10 a.m.
Action
Ms. Mayne

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D. ADJOURN

10:15 a.m.

1. **U. T. Permian Basin: Approval of Permanent University Funds for The Wagner Noël Performing Arts Center**

RECOMMENDATION

The Chancellor ad interim, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts recommend that the U. T. System Board of Regents approve the allocation of up to \$6,000,000 of Permanent University Fund (PUF) Bond Proceeds for The Wagner Noël Performing Arts Center at The University of Texas of the Permian Basin.

BACKGROUND INFORMATION

The allocation of up to \$6,000,000 of PUF is proposed for The Wagner Noël Performing Arts Center (PAC) at The University of Texas of the Permian Basin. The project is currently included in the FY 2008-2013 Capital Improvement Program (CIP). The revision to the project funding along with design development approval will be presented to the U. T. System Board of Regents at the August 2008 meeting. U. T. Permian Basin is requesting that this allocation proceed now to demonstrate commitment to the local community so that additional private funds can be raised.

Fundraising efforts to date for this project have been successful with approximately \$20 million in pledges received. An additional fundraising effort is underway to raise \$4 million of additional local funds to accommodate increased construction costs and associated facility operating expenses. The community has agreed and begun to raise matching funds that will equal \$1 for every \$1.50 allocated by the U. T. System up to the \$6,000,000 being requested.

In December 2007, the Construction Manager-at-Risk (Hunt Construction Group), as part of their pre-construction services, provided the U. T. System Office of Facilities Planning and Construction (OFPC) with a construction cost estimate at Schematic Design that was 50% over target budget for the following reasons:

1. The oil and gas production industry has significantly impacted the Midland/Odessa construction climate. The price of oil has essentially doubled over the past eight months to an all-time high exceeding \$130 per barrel. As a result, oil field activity has boomed in the area. Construction labor and project management expertise remains in very short supply in this small, relatively isolated market with oil companies paying significantly more than area construction companies. Unemployment is down below 3%. The net result is that labor rates have risen significantly in the last year in the region indicating wage increases for critical craft labor of between 30%-100% over the affected period.

2. The geographic isolation of Midland/Odessa makes it difficult to draw on the construction communities of other metropolitan areas. The nearest market, Lubbock, is two hours away and shares some of the same limitations and cost drivers as Midland/Odessa. The nearest large markets (the Dallas/Fort Worth Metroplex, Amarillo, El Paso, and San Antonio) are approximately 300 miles away. Contractors working in this area from these markets must factor per diem expenses into their cost of work, as well as hourly wage premiums to attract craft labor away from their "home market" for the duration of the project. Trades currently being imported into the area include concrete formwork, drywall installation, electrical, steel erection, complex Heating/Ventilation/Air Conditioning, external/internal finishes, and specialty trades.
3. Regional manpower shortages began to affect local bids in a significant way in 2007. The combined effect of higher oil prices, commodity escalation and increased construction activity resulted in proposals on local projects that vary significantly from existing pricing models of contractors, consultants, and OFPC. The U. T Permian Basin Wagner Noel PAC project will require sophisticated subcontractors from outside the region, attracted by higher hourly salaries and per diem allowances for temporary accommodations. While OFPC believes that the contractor's contingencies are somewhat high, considering the early stage of design, they are an appropriate way to mitigate risk. Should the market prove more competitive during subcontract buy-out, the project will be well positioned to add desired elements back into the project in a cost-effective way and achieve overall savings.

OFPC has worked with the project stakeholders to refine needs and scope, and challenged the project team to develop cost reduction strategies that maintain the programmatic intent of this important facility. While some reductions were achieved, labor contingencies continue to drive the early construction manager's estimates for this project. While final design development estimates will not be received until mid-July, it is presently anticipated that the initial CIP conceptual estimate of \$66 million will need to be increased approximately 22%.

As of May 31, 2008, the U. T. System's Constitutional debt capacity for the PUF was approximately \$320 million. The debt capacity is calculated as 20% of the cost value of the PUF endowment less PUF debt outstanding and authorized, but unissued.

2. **U. T. Medical Branch - Galveston: Authorization to purchase approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas, from LC Partners, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, to be used for programmed development that may include clinical, research, and academic facilities or other support or ancillary facilities**

RECOMMENDATION

The Chancellor ad interim and Executive Vice Chancellor for Health Affairs concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Callender that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Medical Branch - Galveston, to

- a. purchase approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas, from LC Partners, L. P., a Texas limited partnership, for a purchase price not to exceed fair market value as determined by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate for programmed development that may include clinical, research, and academic facilities or other support or ancillary facilities of U. T. Medical Branch - Galveston; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

LC Partners, L. P., a Texas limited partnership, owns the subject property consisting of approximately 29.39 acres of vacant land along IH 45, north of FM 646, in the Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas. The property is immediately north of the 35.435-acre tract (the Victory Lakes Tract) purchased by the institution in August 2005, following approval of the purchase by the Board on November 4, 2004. On May 15, 2008, the Board approved an amendment to the FY 2008-2013 Capital Improvement Program to add the construction of a specialty care center on the Victory Lakes Tract.

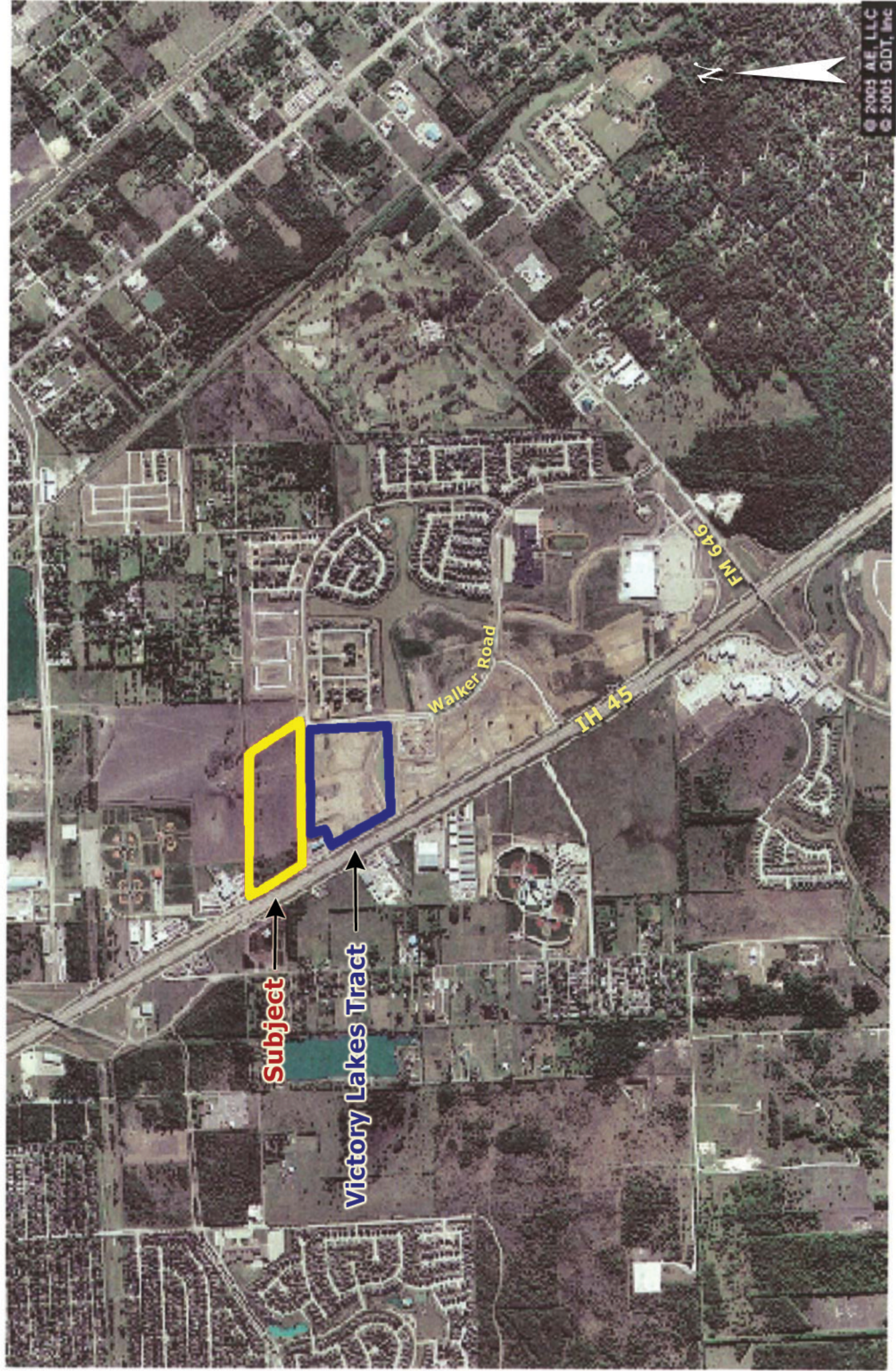
The institution proposes to acquire the adjoining parcel to the Victory Lakes Tract to allow for future programmed development of the subject parcel, potentially in conjunction with the Victory Lakes Tract. Both parcels are in a growing area that includes residential property, secondary schools, commercial property, and soon-to-be developed senior care and housing facilities.

Acquisition of the subject tract and its inclusion in the planning for the use of the Victory Lakes Tract serve the initiatives that support the business plan of U. T. Medical Branch - Galveston. This area is one of the fastest growing areas in the state.

To fund the purchase, U. T. Medical Branch - Galveston will use UTMB MSRDP Patient Care Revenue. The terms and conditions of the proposed purchase are specified in the transaction summary below:

Transaction Summary

Institution:	U. T. Medical Branch - Galveston
Type of Transaction:	Purchase
Total Area:	Approximately 29.39 acres
Improvements:	None
Location:	East side of IH 45, north of FM 646, Stephen F. Austin League, Abstract 3, League City, Galveston County, Texas (see map on the next page)
Seller:	LC Partners, L. P., a Texas limited partnership
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Source of Funds:	UTMB MSRDP Patient Care Revenue
Intended Use:	Future programmed development that may include clinical, research, and academic facilities or other support or ancillary facilities



Subject

Victory Lakes Tract

Walker Road

IH 45

FM 646

3. **U. T. Pan American: Authorization to accept invitation from the Great West Conference and to negotiate and finalize terms for athletic conference membership**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Cárdenas that U. T. Pan American accept an invitation and negotiate a contract for Great West Conference membership.

BACKGROUND INFORMATION

U. T. Pan American, a NCAA Division I member, has been without an athletic conference affiliation since 1998. The institution has been exploring conference affiliations for the past nine years and has been invited to join a new conference. Conference affiliation will benefit the University in many ways, including promotion of its athletic programs regionally and nationally, NCAA compliance, better scheduling, more home games that will assist the campus in building rivalries between institutions, and offering a consistent avenue for post-season competition.

As an independent athletic competitor, U. T. Pan American has had major difficulties in scheduling contests. U. T. Pan American has had to develop a fairly sizeable travel budget due to their location and their difficulty in finding comparable universities with which to compete. The institution has been competing against other independent universities that have the same travel problems. Some of these same universities will be forming a new conference called the Great West Conference. U. T. Pan American's financial analysis indicates they may save some money in travel costs due to proposed creative scheduling. Additionally, U. T. Pan American has been competing against some of these same schools for several years so those costs are already a part of the budget.

4. **U. T. Arlington, U. T. Health Science Center - Houston, and U. T. M. D. Anderson Cancer Center: Authorization to grant licenses to Oncor Electric Delivery Company LLC, a Delaware limited liability company, and to CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensees to place electrical distribution facilities on portions of the respective campuses to serve campus facilities**

RECOMMENDATION

The Chancellor ad interim and Executive Vice Chancellor for Health Affairs concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and Presidents Spaniolo, Willerson, and

Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, U. T. Health Science Center - Houston, and U. T. M. D. Anderson Cancer Center, to

- a. enter into licenses with Oncor Electric Delivery Company LLC, a Delaware limited liability company, and CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensees to place electrical distribution facilities on portions of the respective campuses to serve campus facilities; and
- b. authorize the Executive Director of Real Estate to execute the license agreements and such other related documents, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

Authorization to enter into license agreements as described below is being sought so that campus construction projects may proceed on schedule:

U. T. Arlington: To enter into a license with Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Arlington campus located at the northwest corner of South Davis Drive and West Mitchell Street, Arlington, Tarrant County, Texas, to provide for permanent electrical service to the Civil Engineering Laboratory Building, now under construction. The facility is scheduled to be completed and begin occupancy in August 2008, immediately prior to the Fall Semester. Without permanent electrical service, construction of the interior of the building will stop, leading to delays, cost increases, and disruptions during the academic year.

U. T. Health Science Center - Houston: To enter into a license with CenterPoint Energy Houston Electric LLC, a Texas limited liability company, to permit the licensee to place electrical distribution facilities on the U. T. Health Science Center - Houston campus at 6410 Fannin Street, Houston, Harris County, Texas, to provide for the continuation of electrical service in the event of a hurricane or other natural disaster. U. T. Health Science Center - Houston, in cooperation with other institutions in the Texas Medical Center, has relocated its electrical distribution facilities to aboveground locations to avoid service interruptions caused by floods and high winds. This license is necessary to connect these electrical distribution facilities to the power grid prior to the main portion of hurricane season.

U. T. M. D. Anderson Cancer Center: To enter into a license with CenterPoint Energy Houston Electric LLC to permit the licensee to place electrical distribution facilities at 1650 South Braeswood Boulevard, Houston, Harris County, Texas, to provide for permanent electrical service to the Braeswood Garage located at 1650 South

Braeswood Boulevard, now under construction. The facility is scheduled to be completed and begin occupancy early in September 2008. Without permanent electrical service, construction of the facility will stop, leading to delays, cost increases, and service disruptions.