



REVISED 10/26/04

**TABLE OF CONTENTS
FOR
MEETING OF THE BOARD**

Board Meeting: 11/4 - 5/2004
Austin, Texas

November 4

A. CONVENE IN OPEN SESSION

11:00 a.m.
Chairman Huffines

B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 (Working Lunch)

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071

Possible litigation concerning The University of Texas Investment Management Company (UTIMCO)

2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074

a. **U. T. Dallas: Consideration of personnel matters related to presidential search** (Discussion only)

Dr. Sullivan

b. **U. T. System: Consideration of personnel matters relating to evaluation of presidents and U. T. System officers and employees**

c. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System officers and employees**

3. Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Texas Government Code Section 551.072

a. **U. T. Austin: Authorization to complete negotiations to acquire certain parcels of land with improvements described as follows that are proposed to be incorporated as part of the site of a hotel and conference center and a parking garage to be located immediately south of the main campus in Austin, Travis County, Texas**

*Dr. Faulkner
Mr. Wilson
Mr. Collins*

i) **Seven parcels of land and improvements legally described as Lots 27-32 and the south 46 feet of Lot 33, Block 20, Louis Horst's Subdivision out of Outlot 20, Division "D", City of Austin, Travis County, Texas**

	Page
<p>ii) Through condemnation proceedings if necessary, seven parcels of land and improvements in the City of Austin, Travis County, Texas legally described as follows:</p> <ul style="list-style-type: none"> • The North 24 feet of Lot 33 and South 24 feet of Lot 34, Block 20, Division “D”; • Forty feet, more or less, off the north side of Lot 34, Outlot 20, Division “D”; • Lots 11 and 12, Block 20, Louis Horst’s Outlots in Division “D” and Division “E”; and • Lots 13 and 14, Block 20, Louis Horst’s Outlots in Division “D” and Division “E” <p>(See also Item 3 on Page 23 and Item 1 on Page 54.)</p>	
<p>b. U. T. Medical Branch – Galveston: Authorization to negotiate the acquisition of unimproved land described as 35.43 acres of vacant land along IH 45, just north of FM 646, League City, Galveston County, Texas</p>	<p><i>Mr. Pederson Mr. Moore Ms. Mayne Mr. Collins</i></p>
<p>C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S)</p>	<p>12:15 p.m. 1</p>
<p>D. CONSIDER AND TAKE APPROPRIATE ACTION ON DOCKET ITEM (Reference Item 2 on Page Docket - 1 related to a time-sensitive contract with JPMorgan Securities, Inc.)</p>	
<p>E. SPECIAL REPORT</p> <p>U. T. System: Report and discussion of the institutional compact process</p>	<p>12:25 p.m. Discussion 1 <i>Chancellor Yudof Dr. Malandra Dr. Mabry Dr. Willerson</i></p>
<p>F. RECESS TO MEETINGS OF STANDING COMMITTEES</p> <p>Academic Affairs Committee</p> <p>Health Affairs Committee</p> <p>Facilities Planning and Construction Committee</p> <p>Audit, Compliance, and Management Review Committee</p> <p>Finance and Planning Committee</p>	<p>1:00 p.m.</p> <p>2:00 p.m.</p> <p>3:30 p.m.</p> <p>4:30 p.m.</p> <p>5:30 p.m.</p>
<p>G. RECESS</p>	<p>6:00 p.m.</p>

			Page
<u>November 5</u>			
H.	MEETING OF THE STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE (Breakfast Meeting)	8:00 a.m.	71
I.	RECONVENE MEETING OF THE BOARD	9:30 a.m.	2
J.	APPROVAL OF MINUTES	9:35 a.m.	2
K.	CONSIDER AGENDA ITEMS		
1.	U. T. Board of Regents: Resolution to honor former Regent Jenkins Garrett	9:40 a.m. Action	2
2.	U. T. Board of Regents: Report on Major George W. Littlefield, a former Regent, and the Littlefield Doors and introduction of guests	9:45 a.m. Report <i>Dr. David B. Gracy II</i>	3
3.	U. T. System: Approval of the U. T. System Executive Compensation Philosophy Policy	10:15 a.m. Action <i>Chancellor Yudof</i>	4
4.	U. T. Board of Regents: Approval of revised Regents' <u>Rules and Regulations</u>	10:35 a.m. Action <i>Mr. Martinez</i>	5
L.	RECESS FOR MEETINGS OF THE STANDING COMMITTEES	10:55 a.m.	7
M.	RECONVENE AS COMMITTEE OF THE WHOLE	11:20 a.m.	
N.	OTHER MATTER U. T. Board of Regents: Presentation of certificate of appreciation to President Jenifer	11:20 a.m. Action	72
O.	ADJOURN	11:30 a.m. <i>approximately</i>	

THURSDAY, NOVEMBER 4

E. SPECIAL REPORT

U. T. System: Report and discussion of the institutional compact process

REPORT

Chancellor Yudof, President Willerson, President Mabry, and Associate Vice Chancellor Malandra will provide an update and lead a discussion on the institutional compact process following the PowerPoint presentations on Pages 1.1 – 1.14.

BACKGROUND INFORMATION

The U. T. System Institution Compacts were sent to the Board of Regents in early September 2004. The compact process was first introduced by Chancellor Yudof at the December 2002 meeting of the Board. The compacts have been integrated into the accountability and strategic framework for the U. T. System.

The compacts are written agreements, between the Chancellor and the presidents of each of the academic and health institutions, that summarize the institution's major goals and priorities, strategic directions, and specific tactics to achieve its goals.

These compacts reflect the unique goals and character of each institution, highlighting action plans, progress, and outcomes. Faculty, staff, and students helped to create these compacts, so that a shared plan and vision resulted. The U. T. System Administration's commitment of resources and time to support each institution's initiatives is included in every compact.

Covering the fiscal years ending 2005 and 2006, the compacts were completed in the Summer 2004. They will be updated annually; updates for the second year of the cycle will be completed by August 2005.

FRIDAY, NOVEMBER 5

- I. RECONVENE MEETING OF THE BOARD
- J. APPROVAL OF MINUTES
- K. CONSIDER AGENDA ITEMS
- 1. **U. T. Board of Regents: Resolution to honor former Regent Jenkins Garrett**

RECOMMENDATION

It is recommended that the Board approve the following resolution to recognize the contributions of former Regent Jess Jenkins Garrett, LLB, to The University of Texas System on the occasion of his 90th birthday:

Resolution

WHEREAS, The Honorable Jenkins Garrett was appointed to the Board of Regents of The University of Texas System by Governor John Connally on January 10, 1969;

WHEREAS, Regent Garrett served on the Board of Regents until his term expired in January 1975 with the highest sense of integrity and honor;

WHEREAS, Regent Garrett's love of Texas, its history, and of The University of Texas, throughout his adult life, brought countless benefits to all of the people of our State;

WHEREAS, Regent Garrett, with his keen knowledge of Texas history and bibliography, was instrumental in bringing many significant and prestigious book collections to The University of Texas System. In 1974, he and his wife, Virginia, donated his world-renowned Texana book collection to The University of Arlington, which became the impetus for The University of Texas at Arlington to build an outstanding Special Collections area;

WHEREAS, Regent Garrett is best known for his service to higher education in Texas, serving on the Board of Trustees of Southwestern Baptist Theological Seminary, Governor's Committee on Education Beyond the High School Level, and the Board of Trustees of Tarrant County Junior College District; and

WHEREAS, The University of Texas at Austin named Regent Garrett a Distinguished Alumnus in 1995 and acknowledging numerous awards for his collecting pursuits and philanthropy, including the Philanthropic Award of the Texas Library Association, Sir Thomas More Medal of the University of San Francisco's Gleeson Library, and the Award of Excellence in Preserving History sponsored by the Texas Historical Commission.

NOW THEREFORE, BE IT RESOLVED by the Board of Regents that appreciation be extended to Jenkins Garrett for his six years of invaluable and unselfish service to this Board and that it further commend him for his hard work and fairness in performing his duties; and be it further

RESOLVED that an official copy of this resolution be prepared for Jenkins Garrett as an expression of highest esteem and warmest regards on the occasion of his 90th birthday on December 14, 2004.

2. **U. T. Board of Regents: Report on Major George W. Littlefield, a former Regent, and the Littlefield Doors and introduction of guests**

REPORT

Dr. David B. Gracy II, Governor Bill Daniel Professor in Archival Enterprise in the School of Information at The University of Texas at Austin, will present a report on the contributions of Major George W. Littlefield to The University of Texas System, including an introduction to the Littlefield Doors on display in the lobby of Ashbel Smith Hall in Austin, Texas. Major Littlefield was a member of the Board of Regents from 1911 to 1920. An excerpt from the Handbook of Texas Online providing a short biography of Major Littlefield is attached on Pages 3.1 – 3.3.

An informational PowerPoint will be presented at the meeting. Descendants of Major Littlefield and his business partners have been invited to the presentation.

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LITTLEFIELD, GEORGE WASHINGTON (1842-1920). George Washington Littlefield, cattleman, banker, and member of the Board of Regents of the University of Texas, son of Fleming and Mildred Terrell (Satterwhite) White Littlefield, was born in Panola County, Mississippi, on June 21, 1842. The family moved to Texas in 1850 after a confrontation between Fleming Littlefield and his wife's family. In marrying Fleming, her overseer, after the death of her first husband, Mildred in her family's eyes had married beneath her station, an action to which her family objected. George grew to young manhood on the family plantation near Belmont, Gonzales County, helping his mother to manage the place after Fleming's death in 1853. George received a basic education in Gonzales College and Baylor University, 1853-55 and 1857. With the outbreak of the Civil War^{qv} in 1861 George enlisted in Company I, Eighth Texas Cavalry^{qv} (Terry's Texas Rangers), which fought in the Army of Tennessee. Before his military career was ended at Mossy Creek, Tennessee, on December 26, 1863, by an exploding cannon shell, George rose to the rank of company commander, the youngest in his regiment, and fought at Shiloh, Perryville, and Chickamauga. At Mossy Creek he was promoted to major, a title by which he was addressed after the mid 1880s. Back in Texas after being discharged in 1864, he took control of a plantation belonging to himself and his brother, and "went to work to make the best, as he thought, of a miserable life, having to carry his crutches everywhere." During the war, on January 14, 1863, George married Alice Payne Tillar, with whom he had two children, both of whom died in infancy. In his business ventures thereafter, George Littlefield, who had a highly developed sense of family, utilized nephews and the husbands of nieces as managers.

George's first years farming after the war ended in disaster caused by three years of worm infestation and flood. Even the road-side store he opened, which prospered because George accepted barter, in particular cattle, could not make up for the losses. In 1871 he gathered a herd of cattle, half of which were his and the rest belonging to his brother, bought more, and drove the herd to Abilene, Kansas, where he sold the animals for enough to discharge all of his debts and leave him with \$3,600 "to begin business." Over the next several years entrepreneur Littlefield opened a dry goods store in partnership with J. C. Dilworth in Gonzales, bought and trailed cattle, bought ranches in Caldwell and Hays counties, and developed his plantations. In the trailing business, Littlefield commonly bought his cattle, rather than, as most trailing contractors did, trailing them for a fee. He took the greater risk, but reaped the greater

reward in their sale. In 1877 Littlefield bought water rights along the Canadian River near Tascosa and established the LIT Ranch,^{qv} which he sold in 1881 for \$248,000. Littlefield rejoiced that he had obtained "far more money than he had ever expected to have" and thought of retiring at thirty-nine years of age. But he did not retire, as "he learned. . .that the more money a man makes, the more he has to make, that a man's world opens up a little bit wider with each deal, and demands become heavier."

In 1882 Littlefield followed the advice of his principal ranch manager, half-nephew J. Phelps White, and purchased water interests sufficient to control some four million acres of land in New Mexico east of the Pecos River between Fort Sumner and Roswell, on which he established the Bosque Grande Ranch. In 1883 he bought the site of the first windmill on the New Mexico plains at the Four Lakes north of Tatum and developed the Four Lakes Ranch with windmills and barbed wire to control access to water and permit upgrading of stock. His cattle after 1882 carried his LFD brand on their right side. In 1887 Littlefield began acquiring land in Mason County, that soon spread over some 120,000 acres in adjacent Kimble and Menard counties, a ranch he put under management of half-nephew John Will White.^{qv} In the 1890s Littlefield assembled acreage that came to be known as the LFD Farm in Roswell, New Mexico, on which he established an apple grove, grew forage for cattle, recruited his horses prior to the spring round-up, and maintained the pure-bred bulls that he used to upgrade his herds. Littlefield climaxed his ranching operation in 1901 with the purchase for two dollars per acre of the 312,000-acre Yellow House (southern) Division of the XIT Ranch^{qv} in Lamb and Hockley counties. To reach the prevailing wind above the escarpment at the ranch headquarters, Littlefield put up a windmill 130 feet tall to the top of the fan, claimed at the time to be the world's tallest windmill. In 1912 he established the Littlefield Lands Company^{qv} under Arthur Pope Duggan^{qv} (husband of niece Sallie Elisabeth Harral) to sell some 64,000 acres in the northeast corner (Lamb County) for farms and opened the town of Littlefield. The town lay beside the mainline of the Atchison, Topeka and Santa Fe Railway between Galveston, Texas, and Clovis, New Mexico.

Littlefield moved to Austin in 1883 and shortly accepted a position on the board of the State National Bank. In 1890 he organized the American National Bank, which he served as president until 1918, when he relinquished the post to the nephew who had been his mainstay in the bank, Hiram Augustus Wroe. For his bank Littlefield in 1910-11 built the nine-story Littlefield Building and decorated the lobby with oil paintings of scenes from his ranches. The doors of the bank, which also depicted ranch scenes, were bronze, cast by the Tiffany Company of New York. Littlefield proved to be a master at sizing up the quality of potential loans. As one cowboy said of him, Littlefield "could look in your eye and tell you what you was up to." He made loans to various political figures, giving him a basis for exercising influence with them. Through the bank Littlefield gained interests in a number of businesses, in particular the

Driskill Hotel^{qv} of Austin in which the bank was first housed. Littlefield owned the hotel 1895-1903, during which time he installed the first electric lighting system. Littlefield took an active interest in political affairs but declined to run for political office. Though no drinker himself, he warmly supported the wet forces against prohibition.^{qv} In 1911 Governor Oscar B. Colquitt^{qv} appointed Littlefield to the Board of Regents of the University of Texas. When Littlefield complained of Northern bias in the text books used in teaching American history, Eugene C. Barker^{qv} of the university's History Department, with whom Littlefield, by appointment of Governor Thomas M. Campbell,^{qv} had served a year, 1909-10, on the first Texas Library and Historical Commission, replied that better history could not be written without adequate archival resources. Littlefield in 1914 established the Littlefield Fund for Southern History to collect such material, and during the remaining six years of his life he gave well over \$100,000 to the fund. In 1918 he gave \$225,000 to purchase the John Henry Wrenn Library. Including benefactions such as the Littlefield Fountain, Alice P. Littlefield Dormitory for freshman women, and his home, Littlefield gave more than any other single individual to the university during its first fifty years and before oil money significantly increased personal wealth. George Washington Littlefield died at his home in Austin on November 10, 1920, and is buried in Oakwood Cemetery in Austin. His wife outlived him by fifteen years and is buried beside him.

BIBLIOGRAPHY: Lewis E. Daniell, *Types of Successful Men in Texas* (Austin: Von Boeckmann, 1890). David B. Gracy II, *George Washington Littlefield: A Biography in Business* (Ph.D. dissertation, Texas Tech University, 1971). J. Evetts Haley, *George W. Littlefield, Texan* (Norman: University of Oklahoma Press, 1943). *George W. Littlefield Papers*, Barker Texas History Center, University of Texas at Austin. *San Antonio Express*, June 4, 1916.

David B. Gracy II

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3. **U. T. System: Approval of the U. T. System Executive Compensation Philosophy Policy**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Administration that the Board of Regents approve adoption of a new rule entitled Compensation for Key Executives as found on Pages 4.1 - 4.2 for inclusion in the Regents' Rules and Regulations.

BACKGROUND INFORMATION

As discussed at the August 11, 2004 meeting of the Board, the Regents requested development of an executive compensation philosophy. The proposed philosophy is intended to clarify the principles to be considered when determining executive compensation for key executives within the U. T. System Administration and the academic and health institutions. Key executives are defined as the Chancellor, Counsel and Secretary to the Board, Audit Director, Executive Vice Chancellors, Vice Chancellors, and presidents of each of the U. T. System academic and health institutions. The proposed philosophy has been reviewed and approved as to form by the Office of General Counsel and the Counsel and Secretary to the Board.

1. **Title**

Compensation for Key Executives

2. **Rule and Regulation**

- Sec. 1 Compensation Philosophy. To attract, retain, and motivate the top talent needed to lead The University of Texas System and accomplish its mission and to recognize and reward performance, the Board of Regents seeks to compensate key executives at levels that are competitive in the marketplace, cost effective, and, to the extent possible, internally equitable.
- Sec. 2 Market Review. To align executive compensation with the relevant market, the Office of the Board of Regents will oversee the conduct of a comprehensive survey and analysis to obtain current and reliable market data on total compensation of key executives in comparable positions at peer institutions. The survey will be conducted every three years. In non-survey years, the Office of the Board of Regents will obtain information concerning general changes in executive compensation in the marketplace, and the comprehensive survey will be adjusted accordingly.
- Sec. 3 Elements of Compensation. The elements of compensation may include base salary; short and long-term incentive pay; supplemental retirement plans, such as deferred compensation plans; and perquisites such as housing, vehicle allowance, and memberships. All compensation set pursuant to this Rule must comply with all applicable state and federal laws.
- Sec. 4 Peer Institutions. Peer institutions or groups of institutions will be selected through an interactive, consultative process between the Chancellor, Executive Vice Chancellors, presidents, and the organization engaged to conduct the comprehensive survey. To the extent possible, the same institutions will be surveyed during each comprehensive survey. Peer institutions may be changed based on sound business decisions; such changes will be fully disclosed to the Board of Regents. The Executive Vice Chancellors will maintain the list of peer institutions. Factors to consider in selecting peer institutions include size, purpose, institutions used in assessing U. T. System performance, and institutions with which U. T. System competes for key executives.
- Sec. 5 Presentation to Board of Regents. Compensation data will be presented to the Board of Regents in advance of the annual budgeting process. Taxable and non-taxable elements of compensation will be reported to the Board of Regents.
- Sec. 6 Determining Compensation. In setting a key executive's initial compensation, the following factors should be considered: relevant market data, current compensation, internal equity, and the U. T. System budget. Where appropriate, U. T. System may target the 75th percentile of the market rate of a key executive's peer institutions.

Factors to consider in making future adjustments to a key executive's compensation include relevant market data, key executive performance, the

institution's progress on key performance indicators, internal equity, and the U. T. System budget.

Sec. 7 The presidents will implement appropriate policies and procedures concerning executive compensation for their direct reports at each U. T. System academic and health institution.

3. Definitions

Key executive(s). The terms, "key executive" or "key executives," as used in this Rule, include the Chancellor, Counsel and Secretary to the Board, Audit Director, Executive Vice Chancellors, presidents of each of the U. T. System academic and health institutions, and Vice Chancellors.

4. Relevant Federal and State Statutes

Texas Education Code Section 65.31 – General Powers and Duties

5. Relevant System Policies, Procedures, and Forms

Regents' *Rules and Regulations* – Series 20202 – Presidential Cash Compensation

6. Who Should Know

Chancellor
Counsel and Secretary to the Board
Audit Director
Executive Vice Chancellors
Presidents
Vice Chancellors

7. System Administration Office(s) Responsible for Rule

Vice Chancellor for Administration

8. Dates Approved or Amended

Month XX, 2004

9. Date Rules Last Reviewed

N/A

10. Contact Information

Questions or comments regarding this Rule should be directed to bor@utsystem.edu

4. **U. T. Board of Regents: Approval of revised Regents' Rules and Regulations**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Counsel and Secretary to the Board of Regents and the Interim Vice Chancellor and General Counsel that the Board of Regents adopt the revised Regents' Rules and Regulations as included in a separate notebook mailed with this Agenda Book and as available on the Internet at <http://www.utsystem.edu/bor/regentsrules/>.

The proposed significant changes are summarized in a chart as set forth on Pages 6.1 – 6.11.

A PowerPoint presentation is included on Pages 6.12 – 6.14.

BACKGROUND INFORMATION

The Office of the Board of Regents has been working since Summer 2003 on simplifying the Regents' Rules and Regulations and Regental Policies to ease the administrative burden of overregulation and to provide the proper degree of autonomy to each institution of the U. T. System while assuring accountability. Chancellor Yudof also charged that such a review should encompass input from all stakeholders in the rules and policies.

Currently, the Regents' Rules and Regulations and Regental Policies contain 191 topics, including significant items such as investment policies and less significant topics such as the requirement that each institutional chief business officer have the combinations to all safes and vaults on campus.

The current Regents' Rules and Regulations and Regental Policies may be found at:

- <http://www.utsystem.edu/bor/rules/MasterRRR.htm>
- <http://www.utsystem.edu/bor/policies.htm>

With the assistance of the Employee Advisory Council, Faculty Advisory Council, Student Advisory Council, the Office of General Counsel, and subject matter experts at U. T. System Administration and institutions of the U. T. System, each rule and each

policy was scrutinized with the aim of providing the appropriate degree of institutional autonomy and accountability. In addition, the revisions suggested by these groups were shared with each officer in the U. T. System who works with the rules and policies with the request for review and comment.

In addition to asking how the rules and policies could provide more local control, the Board Office asked which provisions were procedural in nature, rather than policy, such that their modification could be approved by the Chancellor rather than by the Board. This new type of rule format proposed is referred to as an Administrative Rule.

Another significant improvement to the rules comes in the development of a new format. The new format identifies related policies, procedures, forms, and statutes that the reader should consider as well as definitions, what office at U. T. System Administration is responsible for updating the rule, and who in the U. T. System is most familiar with the rule. There is also guidance concerning how new rules should be developed.

In summary, the proposed revisions call for the following:

- All policies established by the Board of Regents will be contained in the Regents' Rules and Regulations. Regental Policies will no longer exist, with all relevant current policies put into the format of a Regents' Rule.
- Conversion of 13 Regents' Rules into Administrative Rules requiring the Chancellor's approval to modify or rescind
- Elimination of 40 of the 191 topics covered in the Regents' Rules and Policies primarily due to dated subject matter or questionable initial placement as a Regents' Rule or policy
- Revised rules that are more easily understood.

The chart on Pages 6.1 – 6.11 summarizes 30 significant changes to the Regents' Rules and Regulations. Twenty of these changes concern delegation of authority.

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
1	Part One, Chapter I, Section 7	Lists the Executive Committee as one of the standing committees of the Board. The Executive Committee is composed of the Chairman, Vice-Chairmen of the Board and additional voting members appointed by the Chairman.	Eliminates the Executive Committee. The Committee was originally created as a means of taking Board action without convening in an open meeting, using what was referred to as an Executive Committee Letter process. Passage of the Texas Open Meetings Act prohibited the use of this process.	Regents' Rule, Series 10402
2	New Rule	Not Applicable	Specifies what may be considered to be a disruption of a Board or Committee meeting and sets guidelines for the display of signs at meetings.	Regents' Rule, Series 10403, Number 2, Section 7
3	New Rule	Not Applicable	Delegates the approval of all coaches' contracts with the exception of contracts with athletic directors and head coaches. This is not a change in policy but the delegation was covered in Docket guidelines only.	Regents' Rule, Series 10501, Number 2, Section 4.12
4	Part One, Chapter I, Section 9.23	All contracts for consulting services for more than \$250,000 must be approved by the Board.	Increased the dollar limit from \$250,000 to \$1,000,000, which is consistent with the limit for other contracts.	Regents' Rule, Series 10501, Number 2, Section 3.1

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
5	Part Two, Chapter XI, Section 2.2	The Board delegates to the Executive Vice Chancellor for Business Affairs the authority to approve contracts for the benefit of all or a majority of the U. T. System institutions.	Changed to include contracts between any two institutions to streamline business operations.	Regents' Rule, Series 10501, Number 2, Section 5.1
6	Part One, Chapter II, Section 3.2(12)	This Section lists the Chancellor's responsibilities related to UTIMCO.	Added the following sentence to the list of responsibilities: <i>Recommending to the Board of Regents, in its fiduciary role, an effective oversight system for the proper management of UTIMCO including, but not limited to clear procedures for the selection of UTIMCO directors; process for budget review; and periodic review of the Investment Management Services Agreement. (Consistent with Board action on 4/29/04.)</i>	Regents' Rule, Series 20101, Number 2, Section 3.13

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
7	<p>The current statement regarding strategic planning is included in the Chancellor's duties: <i>Preparing for recommendation to the Board a strategic plan for The University of Texas System, revised periodically, setting forth recommendations for academic programs, capital expenditures, and the allocation of other financial resources.</i></p>	<p>Changed the Section to read as follows: <i>Strategic Planning. Preparing a strategic plan for the U. T. System for recommendation to the Board of Regents in consultation with the institutional presidents. The proposed plan should include periodic adjustments to the mission statement; assessments of the internal and external environment; and recommendations for U. T. System goals, priorities, and benchmarks of progress in academic programs, service, capital expenditures, and the allocation of financial resources.</i></p>	<p>Regents' Rule, Series 20101, Number 2, Section 3.2</p>
8	<p>These Sections list the job duties of the executive officers reporting to the Chancellor.</p>	<p>Deleted these Sections to allow the Chancellor flexibility to assign duties without the need to amend the Regents' Rules.</p>	<p>Not Applicable</p>
9	<p>This Section recites membership on various advisory councils to the Chancellor such as the System Council and Business Management Council.</p>	<p>Deleted this Section because it is not needed in the Regents' Rules.</p>	<p>Not Applicable</p>

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
10	Part One, Chapter II, Section 20.1	This Section requires the Chancellor and appropriate Executive Vice Chancellor to approve appointments of institutional vice presidents, deans, directors, and their equivalents.	Deleted the requirement that directors and their equivalents have to be approved by the Executive Vice Chancellor.	Regents' Rule, Series 20102, Number 2, Section 1
11	Part Two, Chapter V, Section 1	This Section mandates the existence of a System-wide classified pay plan.	Eliminates the requirement of a System-wide pay plan and delegates to each institution the development of pay plans subject to minimum requirements set by the U. T. System.	Regents' Rule, Series 30101 Administrative Rule, Series 30113
12	New Rule	Not Applicable	The Board delegates to the Chancellor the authority to approve the Optional Retirement Program rates recommended each year that are submitted by every institution.	Regents' Rule, Series 30202, Number 2, Section 1.1
13	Part One, Chapter III, Section 34.4	If a faculty, staff, or student organization fails to update required information within 10 days after being notified of the deficiency, the organization's registration shall be cancelled.	Added provision for an extension of the deadline if good cause is shown.	Regents' Rule, Series 40201
14	Part One, Chapter VII, Section 1.3	Gifts having a value of more than \$500,000 and not administered by the Office of External Relations must be approved by the Board of Regents.	Changed the dollar limit from \$500,000 to \$1,000,000, which is consistent with other delegated authority.	Regents' Rule, Series 60101, Number 2, Section 2

**SUMMARY OF SIGNIFICANT CHANGES
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PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
15	Part One, Chapter VII, Section 3.1	This Section states that: No endowment will be established or announced without prior approval by the Board. Also, no negotiations or commitments implying the establishment of the endowment of an academic position will be undertaken by any faculty member or officer of the component institution until the proposal has been formally approved by the president.	Eliminated and replaced with the following: <i>Negotiations and fund raising for an endowment are permitted prior to its formal approval and establishment by the Board or its designee. However, the establishment of an endowment will not be announced prior to its formal approval.</i>	Regents' Rule, Series 60202, Number 2, Section 1
16	Part One, Chapter VII, Section 5.43	This Section states that all activities of development boards and internal foundations must be coordinated through the office of the president and the director of the institution's development board.	Eliminated this requirement as it is redundant because the president of the institution has express authority over these boards and foundations.	Regents' Rule, Series 60301, Number 2, Section 4.2
17	Part One, Chapter VII, Section 5.6	This Section states that an ex-students' association will not participate in any organized fund-raising effort without consulting with the president and the Chancellor and receiving the approval of the Board of Regents.	Changed to confirm the actual practice requiring only approval from the president and the Chancellor.	Regents' Rule, Series 60301, Number 2, Section 6

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
18	Part One, Chapter VI, Section 6.6	This Section prohibits solicitation on campus unless permitted by a specific exception.	<p>Added the following additional exception to the solicitation prohibition to provide information on employee benefits to enhance employee recruitment and retention:</p> <p><i>Employee Discount Programs.</i></p> <p><i>The distribution or presentation to employees of the U. T. System and any of its institutions of material related to products and services offered by companies that provide employee discount programs, merchandise membership programs, credit union and banking programs, or other benefits that are available to such officers and employees through discount plans or programs approved by the U. T. System or any of its institutions. (continued on next page.)</i></p>	Regents' Rule, Series 80103, Number 2, Section 2.17

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
18			<p>(continued from prior page) Such material may be distributed or presented by the Office of Human Resources of the U. T. System or any of its institutions, with the approval of the institution's president, and placed on institutional Web pages for the purpose of providing education, product and service information, and participant enrollment, in accordance with guidelines promulgated by the Executive Vice Chancellor for Business Affairs.</p>	
19	Part Two, Chapter VIII, Section 2.3	<p>Inclusion of a project in the Capital Improvement Program provides authority to expend up to 3% of the anticipated preliminary project cost to develop preliminary project plans. Requests for expenditures greater than 3% and up to 10% shall be reviewed and approved by the Chancellor.</p>	<p>This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs. While the Executive Vice Chancellor for Business Affairs would continue to monitor the contracts, this would allow the delegation of authority to the Assistant Vice Chancellor for Facilities Planning and Construction.</p>	Regents' Rule, Series 80301, Number 2, Section 4

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
20	Part Two, Chapter VIII, Section 1.5	Unexpected naming opportunities of buildings not covered in the annual report shall be reviewed and approved in advance of negotiations with potential donors.	Changed so the approval to negotiate may come from either the Chairman of the Board or the Chairman of the Facilities Planning and Construction Committee.	Regents' Rule, Series 80307, Section 5
21	Part Two, Chapter VIII, Section 1.6	Non-honoric renaming and re-designation of projects in the Capital Improvement Program shall be reviewed and approved by the Chancellor.	Changed so the approval may come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific facts of a request.	Regents' Rule, Series 80307, Number 2, Section 6
22	Part Two, Chapter VIII, Section 4.11	The Chancellor, with the advice of the appropriate Executive Vice Chancellor and the institutional president, is authorized to appoint architects for all new construction and major repair and rehabilitation projects authorized by the Board in the Capital Improvement Program.	Changed so the approval may come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific situation and the project details. This authority is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs.	Regents' Rule, Series 80402, Number 2, Section 1

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
23	Part Two, Chapter VIII, Section 4.22	The facility program for a major construction project must be approved by the Chancellor.	Changed so the approval may come from the institution's president who is most familiar with the specific situation and the project details. The president can also review it with regard to the respective Campus Master Plan and programmatic needs.	Regents' <u>Rule</u> , Series 80402, Number 2, Section 7
24	Part Two, Chapter VIII, Section 4.24	After approval of the facility program for a major construction project, the Chancellor is authorized to give the project architect, engineer, or design-build contractor the facility program and the Campus Master Plan and to direct the preparation of schematic plans, exterior design, site plans, cost estimates, and other necessary documents.	Changed so the approval can come from the Assistant Vice Chancellor for Facilities Planning and Construction who is most familiar with the specific situation and the project details. This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs.	Regents' <u>Rule</u> , Series 80402, Number 2, Section 9
25	Part Two, Chapter VIII, Section 4.25	The Executive Officers and presidents shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects.	In practice this is handled by the Facilities Planning and Construction Committee (FPCC) and its Chairman in consultation with the institution's president. Therefore, the revised <u>Rule</u> substitutes the FPCC and its Chairman for the Chancellor.	Regents' <u>Rule</u> , Series 80402, Number 2, Section 11

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
26	Part Two, Chapter VIII, Section 4.27	After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications.	Substituted the Assistant Vice Chancellor for Facilities Planning and Construction for the Chancellor because the Assistant Vice Chancellor is most familiar with the specific situation and the project details. This is currently delegated by the Chancellor to the Executive Vice Chancellor for Business Affairs.	Regents' Rule, Series 80402, Number 2, Section 12
27	Part Two, Chapter VII, Section 3.2	The terms of any insurance policies, other than life, disability and health shall be negotiated by the Director of Risk Management. The purchase or renewal of policies with premiums in excess of \$100,000 shall be approved by the Vice Chancellor for Business Affairs.	Increased the dollar limit from \$100,000 to \$500,000 to streamline business and administrative operations.	Regents' Rule, Series 80601, Number 2, Section 1
28	Part Two, Chapter VII, Section 3.3	(Insurance) Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess of \$1,000,000 must have the approval of the Board.	Changed so that only settlements in excess of \$1,000,000 require approval by the Board to be consistent with the limit on contracts that have to be approved by the Board.	Regents' Rule, Series 80601, Number 2, Section 2

**SUMMARY OF SIGNIFICANT CHANGES
TO
PROPOSED REVISIONS OF REGENTS' RULES AND REGULATIONS**

No.	Citation – Current Rule	Current Rule Requirement	Substance of Change	Citation – Proposed Rule
29	Part Two, Chapter VII, Section 3.4	In the case of a catastrophic occurrence where the loss is so extensive that partial payments in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all documents related to the partial payment or adjustment. The Board will be notified by the Chancellor of all partial payments received in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval from the Board.	Changed so that only partial payments in excess of \$1,000,000 must be reported to the Board to be consistent with the limit on contracts that have to be approved by the Board.	Regents' Rule, Series 80601, Number 2, Section 3
30	Part Two, Chapter XII, Section 4.22	If a president elects not to assert and exploit System's interest in intellectual property, the Office of General Counsel and the creator shall be notified within 180 days of the date of a complete submission that the invention will be released to the creator of the invention ...	Changed so that the creator is notified within 30 days after a decision is made. The rule now reads: <i>If the institution's president elects not to assert and exploit U. T. System's interest, the Office of General Counsel and the creator shall be notified within 30 days after a decision is made to assert ownership rights that the invention will be released to the creator.</i>	Regents Rule, Series 90102, Number 2, Section 2.2

L. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND
COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Huffines
No items

Audit, Compliance, and Management Review Committee: Chairman Estrada
Agenda Book Page 8

Finance and Planning Committee: Chairman Hunt
Agenda Book Page 16

Academic Affairs Committee: Chairman Krier
Agenda Book Page 21

Health Affairs Committee: Chairman Clements
Agenda Book Page 35

Facilities Planning and Construction Committee: Chairman Barnhill
Agenda Book Page 54



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

Committee Meeting: 11/4/2004

Austin, Texas

Board Meeting: 11/5/2004

Austin, Texas

Robert A. Estrada, Chairman

Rita C. Clements

Judith L. Craven, M.D.

Woody L. Hunt

Cyndi Taylor Krier

	Committee Meeting	Board Meeting	Page
A. Convene	<i>4:30 p.m.</i>		
	<i>Chairman Estrada</i>		
1. U. T. System: Approval of U. T. System Internal Audit Plan for Fiscal Year 2005	Not on Agenda	Action	8
2. U. T. System: Amendment of the Audit, Compliance, and Management Review Committee Responsibilities Checklist	<i>4:32 p.m.</i>	Action	9
	<i>Regent Estrada</i>		
3. U. T. System: Amendment of the Regents' <u>Rules and Regulations</u> related to audit and non-audit services provided by external audit firms	<i>4:35 p.m.</i>	Action	10
	<i>Mr. Chaffin</i>		
	<i>Mr. Wallace</i>		
4. U. T. Board of Regents: Approval of proposed appointment of a member to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)	<i>4:40 p.m.</i>	Action	11
	<i>Mr. Hunt</i>	<i>Mr. Hunt</i>	
5. U. T. Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit	<i>4:45 p.m.</i>		
	Report	Not on Agenda	11
	<i>Mr. Ricky Richter,</i>		
	<i>Ernst & Young</i>		
6. U. T. System: Report on the status of the Sarbanes-Oxley Initiative, including the hiring of the independent audit firm for the 2005 U. T. System Financial Statements Audit, and the Governor's Fraud Initiative	<i>4:55 p.m.</i>		
	Report	Not on Agenda	12
	<i>Mr. Chaffin;</i>		
	<i>Mr. Wallace;</i>		
	<i>Dr. Kelley;</i>		
	<i>Mr. Rodney</i>		
	<i>Lenfant,</i>		
	<i>Ms. Julia Petty,</i>		
	<i>and Ms. Michele</i>		
	<i>Strain from</i>		
	<i>Deloitte</i>		

	Committee Meeting	Board Meeting	Page
7. U. T. System: Report on compliance high-risk area activity regarding U. T. System's response to time and effort compliance issues	5:05 p.m. Report <i>Dr. Shine</i>	Not on Agenda	13
8. U. T. System: Report on System-wide Internal Audit Activities	5:10 p.m. Report <i>Mr. Chaffin</i> <i>Ms. Hagara</i>	Not on Agenda	13
9. U. T. System: Annual Report on System-wide Institutional Compliance Program	5:15 p.m. Report <i>Mr. Chaffin</i> <i>Ms. Hagara</i>	Not on Agenda	15
B. RECESS TO EXECUTIVE SESSION	5:20 p.m.	Not on Agenda	
1. U. T. Board of Regents: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - <u>Texas Government Code</u> Section 551.074			
U. T. System: Evaluation and duties of System and institutional employees involved in audit and compliance functions	<i>Mr. Chaffin</i>		
2. U. T. Board of Regents: Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - <u>Texas Government Code</u> Section 551.071	<i>Mr. Collins</i>		
C. RECONVENE IN OPEN SESSION			
Adjourn	5:30 p.m.		

1. **U. T. System: Approval of U. T. System Internal Audit Plan for Fiscal Year 2005**

RECOMMENDATION

The Audit, Compliance, and Management Review Committee recommends that the U. T. Board of Regents approve the proposed U. T. System-wide Internal Audit Plan for Fiscal Year 2005. A summary of the auditable areas is set forth on Pages 8.1 – 8.2. Development of the Internal Audit Plan is based on risk assessments performed at each institution. Implementation of the Plan will be coordinated with the institutional auditors.

BACKGROUND INFORMATION

Institutional Audit Plans, compiled by the internal audit departments after input and guidance from the System Audit Office and the institution's management and Internal Audit Committee, were submitted to all Internal Audit Committees and institutional presidents for review and comments.

The Chief Audit Executive provided feedback by conducting audit hearings with each institution. After the review process, each Internal Audit Committee formally approved its institution's Plan.

The Audit, Compliance, and Management Review Committee approved the Audit Plan on September 28, 2004.

Fiscal Year 2005 System-wide Audit Plan

Summary

The University of Texas System-wide Fiscal Year 2005 Internal Audit Plan (2005 Audit Plan) is a blueprint of the internal audit activities that will be performed by the internal audit function throughout The University of Texas System in FY 2005. Individual audit plans were prepared at each institution and approved by the institutional Internal Audit Committee.

The Director of Audits provided direction to the internal audit directors prior to the preparation of the audit plans and provided formal feedback through conducting “audit hearings” with each institution. The process of preparing the audit plans is risk based and ensures that activities with the greatest risk are audited.

The efforts of the internal audit function continue to expand into areas other than the performance of traditional audits. Examples of added services include: providing continued assistance in the System-wide Compliance Initiative, assisting in the Information Technology (IT) Vulnerability Initiative, providing information to the Board of Regents to assist them in their decision to voluntarily implement the “spirit” of the Sarbanes-Oxley Act of 2002, and performing consulting projects and special investigations at the request of management.

The 2005 Audit Plan illustrates an economic and efficient use of internal audit resources, and addresses the risks of The University of Texas System by planning activities as follows:

Area	Audit Hours	% of Total Hours
Key Financial and Operating Information	30,205	24%
Institutional Compliance Audits	11,616	9%
Information Technology Audits	23,604	18%
Core Business Processes	29,180	23%
Change in Management	5,850	5%
Follow-up	4,550	3%
Projects	22,661	18%
Total	127,666	100%

Prepared by: U. T. System Internal Audit Program
Consolidated by: U. T. System Audit Office
Date: September 2004

	Key Financial & Operating Information	Institutional Compliance	Information Technology	Core Business Processes	Change in Management	Follow-up	Projects	Total
U. T. System Administration	2,960	700	3,897	4,280	650	200	3,779	16,466
Large Institutions:								
U. T. Austin	4,090	2,450	3,150	1,550	1,080	400	4,500	17,220
U. T. Southwestern	3,050	1,000	2,700	4,050	650	400	2,150	14,000
U. T. Medical Branch at Galveston	3,360	1,075	3,000	3,700	700	750	2,076	14,661
U. T. HSC - Houston	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
U. T. HSC - San Antonio	1,960	720	980	1,250	300	450	1,280	6,940
U. T. MDA Cancer Center	2,330	1,190	3,437	6,980	240	400	1,750	16,327
subtotal	14,790	6,435	13,267	17,530	2,970	2,400	11,756	69,148
Mid-size Institutions:								
U. T. Arlington	1,920	600	600	1,160	200	300	266	5,046
U. T. Brownsville	1,350	200	550	550	400	250	624	3,924
U. T. Dallas	1,155	1,260	770	1,015	200	170	628	5,198
U. T. El Paso	2,470	550	950	1,250	820	530	1,350	7,920
U. T. Pan American	1,350	315	600	1,430	210	400	820	5,125
U. T. San Antonio	1,500	600	1,400	850	-	260	2,050	6,660
subtotal	9,745	3,525	4,870	6,255	1,830	1,910	5,738	33,873
Small Institutions:								
U. T. Permian Basin	500	170	130	270	160	40	100	1,370
U. T. Tyler	600	536	690	240	60	-	464	2,590
U. T. HC at Tyler	1,610	250	750	605	180	-	824	4,219
subtotal	2,710	956	1,570	1,115	400	40	1,388	8,179
TOTAL	30,205	11,616	23,604	29,180	5,850	4,550	22,661	127,666
Percentage of Total	24%	9%	18%	23%	5%	3%	18%	100%

N/A: The department has experienced 100% turnover and a new director and staff are expected to be in place in October. An audit plan will be developed upon the restaffing of the audit function.

Prepared by: U. T. System Internal Audit Program
Consolidated by: U. T. System Audit Office
Date: September 2004

2. **U. T. System: Amendment of the Audit, Compliance, and Management Review Committee Responsibilities Checklist**

RECOMMENDATION

The Chancellor and the Chief Audit Executive and System-wide Compliance Officer recommend that Item 17 of the Audit, Compliance, and Management Review Committee Responsibilities Checklist be amended as set forth in congressional style on Page 9.2. The complete Checklist is attached on Pages 9.1 – 9.3.

BACKGROUND INFORMATION

The proposed amendment to the Audit, Compliance, and Management Review Committee Responsibilities Checklist is a recommendation of the U. T. System Sarbanes-Oxley Ad Hoc Committee and the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002 approved by the Committee on November 12, 2003.

The amendment provides guidance on the disclosure and inclusion of off-balance sheet items in the financial statements.

The Audit, Compliance, and Management Review Committee Charter specifies that the Committee's responsibilities in carrying out its oversight role will be delineated in the Checklist. The Checklist is updated annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices.

**Responsibilities Checklist
for the
Audit, Compliance, and Management Review Committee
of the
Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System ("the Board").
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee's Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System's engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.

13. The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm:
 - a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
 - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
 - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.

14. Regarding the U.T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
 - a. U. T. System's annual financial statements and related footnotes;
 - b. Any audit and assurance work performed on components of the annual financial statements;
 - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
 - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
 - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.

15. The Committee shall require the U. T. System Chief Financial Officer certify the annual financial statements for the U. T. System as a whole, and that each component Chief Financial Officer certify the annual financial statements for their respective component institution.

16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.

17. The Committee shall at least annually
 - a. review with executive management and the Chief Audit Executive ~~at least annually~~ the U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Rules and Regulations, and/or operating policies or standards;
 - b. engage executive management and the external audit firm in the discussion of off-balance sheet transactions/arrangements that have, or are reasonably likely to have, a current or future effect on the System's or any of the institution's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to users of the financial statements. The discussion should include the extent of the off-balance sheet transactions/arrangements and whether GAAP or other regulations results in the financial statements reflecting the economics of such transactions/arrangements.

18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.

19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
 - a. Significant findings during the year and management's responses thereto;
 - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
 - c. Any changes required in the planned scope of the audit plan.

20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.
21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
 - a. Significant institutional risks identified during the year and mitigating actions taken;
 - b. Significant findings during the year and management's responses thereto;
 - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
 - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist annually.

3. **U. T. System: Amendment of the Regents' Rules and Regulations related to audit and non-audit services provided by external audit firms**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Interim Vice Chancellor and General Counsel, the Chief Audit Executive and the Associate Vice Chancellor - Controller and Chief Budget Officer that the Regents' Rules and Regulations be amended to provide guidance on provision of audit and non-audit services by external audit firms. The rule is presented on Pages 10.1 – 10.4 in the new format for the Regents' Rules and Regulations to be discussed and voted on by the Board of Regents at the November 2004 meeting. (See Item 4 on Page 5.)

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations is a further recommendation of the U. T. System Sarbanes-Oxley Ad Hoc Committee and the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002 approved by the Audit, Compliance, and Management Review Committee on November 12, 2003. The amendment would provide further guidance on the approval requirements for the engagement of an external audit firm, provisions related to conflict of interest for U. T. System and the engaged external firm, prohibited non-audit services, and review and approval requirements for non-audit services of the engaged external audit firm.

1. Title

Provision of Audit and Non-Audit Services by External Audit Firms

2. Rule and Regulation

Sec. 1 Audit Services.

1.1 Audit, Compliance, and Management Review Committee's Role. The ACMRC is responsible for contracting with external audit firms for audit services.

1.2 Board Approval. Neither U. T. System nor any of its institutions may engage an external audit firm for audit services unless the contract has been approved by the Board in accordance with Section 3 of Administrative Rule 10501 concerning contracts requiring Board approval.

1.3 Conflict of Interest Provision. Neither U. T. System nor any of its institutions may engage an external audit firm for audit services unless the contract includes an acceptable conflict of interest provision approved by the Vice Chancellor and General Counsel.

1.3.1 Lead Partner Rotation. The lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit shall not have performed audit services for the institution(s) in each of the five previous fiscal years.

1.3.2 Hiring Restrictions. Neither U. T. System nor any of its institutions may hire a former or current partner, principal, or professional employee in a key position, as defined in the *Code of Professional Conduct* of the American Institute of Certified Public Accountants (AICPA), that would cause a violation of the *AICPA Code of Professional Conduct* or other applicable independence rules, during the year

subsequent to the completion of the audit engagement.

Sec. 2 Prohibited Non-Audit Services. Neither U. T. System nor any of its institutions may engage an external audit firm to provide prohibited non-audit services contemporaneously with the provision of audit services.

Sec. 3 Non-Audit Services.

3.1 ACMRC Review and Approval. If the aggregate amount of fees to be paid to an external audit firm for the performance of non-audit services exceeds five percent of the total amount of fees anticipated to be paid to the external audit firm for the performance of audit services provided during any fiscal year in which non-audit services will be provided, then U. T. System and its institutions may not engage the external audit firm to perform the non-audit services unless the proposed engagement is reviewed and approved by the ACMRC.

3.2 Conflict of Interest Not Permitted. If, upon review of a proposed engagement for non-audit services under Subsection 3.1 of this Series, the ACMRC determines that a conflict of interest exists between the external audit firm's obligations to perform audit services and that firm's anticipated obligations to perform non-audit services contemporaneously with the performance of audit services, then U. T. System and its institutions may not engage the external audit firm to perform the non-audit services.

3. Definitions

ACMRC - For purposes of this series, ACMRC refers to the Audit, Compliance, and Management Review Committee of the Board.

Audit Services - For purposes of this Series, audit services are services provided for the purpose of expressing an opinion on the financial statements of U. T. System or any of its institutions.

External Audit Firm - For purposes of this Series, an external audit firm is a public accounting firm (including its partners, employees and agents) engaged by the Board to provide audit services.

Non-Audit Services - For purposes of this series, any non-audit services (including tax services) that are not listed in the definition of prohibited non-audit services.

Prohibited Non-Audit Services - For purposes of this series, prohibited non-audit services include

- a) bookkeeping or other services related to the accounting records or financial statements of U. T. System or any of its institutions;
- b) financial information systems design and implementation;
- c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- d) actuarial services;
- e) internal audit outsourcing services;
- f) management functions or human resources;
- g) broker, dealer, investment adviser, or investment banking services;
- h) legal services and expert services unrelated to the audit; and
- i) any other service that the Board determines, by rule, is impermissible.

4. Relevant Federal and State Statutes

None

5. Relevant System Policies, Procedures, and Forms

None

6. Who Should Know

Administrators
Internal Audit

7. System Administration Office(s) Responsible for Rule

Office of the Controller
Audit Office

8. Dates Approved or Amended

Month xx, 20xx

9. Date Rule Last Reviewed

Month xx, 20xx

10. Contact Information

Questions or comments regarding this rule should be directed to:

- bor@utsystem.edu

4. **U. T. Board of Regents: Approval of proposed appointment of a member to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Chairman Hunt recommends that the U. T. Board of Regents approve the appointment of Mr. John W. Barnhill, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors.

BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents approve the appointment of members of the Audit and Ethics Committee of the Board of Directors of UTIMCO. On December 19, 2003, the Board of Regents appointed Mr. I. Craig Hester, Mr. James R. Huffines, and Mr. R. H. (Steve) Stevens, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors. Mr. Barnhill was appointed to the Board of Directors of UTIMCO on July 16, 2004.

5. **U. T. Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit**

REPORT

Mr. Ricky Richter, Ernst & Young, LLP will report on the results of the audit of the financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Short Intermediate Term Fund.

On July 7, 2003, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP to perform a financial audit of the funds managed by The University of Texas Investment Management Company (UTIMCO) for the fiscal year ending August 31, 2003. The contract was for one year with a right to renew in one-year increments for four years. The Board renewed the auditing services contract with Ernst & Young, LLP, to perform the 2004 financial audit of the funds managed by UTIMCO on February 4, 2004. The Board is required by Section 66.08 of the Texas Education Code to have an annual audit of the financial statements of the Permanent University Fund.

Ernst & Young is completing field work for this audit as the Agenda materials are being prepared and does not have a written report or summary of findings available at this time. The findings will be discussed with the Audit, Compliance, and Management Review Committee, and the written report will be provided as soon as it is available.

6. **U. T. System: Report on the status of the Sarbanes-Oxley Initiative, including the hiring of the independent audit firm for the 2005 U. T. System Financial Statements Audit, and the Governor's Fraud Initiative**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, Mr. Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, and Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs, will update the Audit, Compliance, and Management Review Committee on the status of the initiative and the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002, including the hiring of Deloitte to provide independent financial auditing services for the audit of the U. T. System financial statements for the fiscal year ending August 31, 2005.

In addition, Mr. Chaffin and Dr. Kelley will brief the Committee on the Governor's initiative to identify and prevent fraud, waste, and abuse in state government, including higher education.

Mr. Rodney Lenfant, Ms. Julia Petty, and Ms. Michele Strain from Deloitte will then report on the firm's plans for conducting the 2005 audit, including methodology, staffing, training, and associated timelines.

BACKGROUND INFORMATION

In November 2003, the U. T. Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A Request for Qualifications (RFQ) was distributed by U. T. System on June 3, 2004. A pre-proposal conference was held on June 9, with the following five firms participating: Deloitte, Ernst & Young, KPMG, McConnell Jones Lanier & Murphy, and PricewaterhouseCoopers. Written proposals were received from Deloitte and KPMG on June 30. Oral presentations and firm interviews were held on July 13 to allow the Regents an opportunity to further evaluate the firms.

Details regarding the RFQ process and the evaluation of firms were presented at the Board of Regents' meeting held on July 16. Regent Estrada, on behalf of the Audit, Compliance, and Management Review Committee, recommended that Deloitte be selected to provide independent financial auditing services for the audit of the U. T.

System financial statements for the fiscal year ending August 31, 2005. The Board approved the selection of Deloitte and granted approval for U. T. staff to negotiate and enter into an auditing contract with the selected firm. The contract will terminate on April 1, 2006. The contract will give U. T. System an option to renew for two additional one-year terms.

On July 12, 2004, Governor Rick Perry issued Executive Order RP36 calling for state agencies to develop and implement programs to detect and eliminate fraud in government programs. The Governor's Order directs state agencies to develop anti-fraud measures and report those efforts to his office by October 1, designate a staff member to implement fraud prevention and fraud elimination activities, and identify policy and organizational changes and provide legislative recommendations to improve fraud detection and prosecution efforts. The U. T. System is currently in the process of implementing the Order.

7. U. T. System: Report on compliance high-risk area activity regarding U. T. System's response to time and effort compliance issues

REPORT

The Office of the Inspector General of the Department of Health and Human Services regularly conducts compliance audits of higher education institutions, some of which have emphasized time and effort reporting on federal grants provided by the National Institutes of Health. In several recent cases involving non-U. T. institutions, universities have reached settlement agreements and repaid millions of dollars to the federal government.

Dr. Kenneth Shine, Executive Vice Chancellor for Health Affairs, will report on U. T. System's activities in response to federal time and effort compliance issues.

8. U. T. System: Report on System-wide Internal Audit Activities

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Kimberly Hagara, Assistant Director for System-wide Compliance, will report on System-wide audit activity for Fiscal Year 2004, including the status of significant audit recommendations.

The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 14.1 – 14.4. Additionally, a list of other audit reports that have been issued by the System-wide audit program and the State Auditor's Office follows on Page 14.5.

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, and 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.

Mr. Chaffin will present a recently established protocol for notifying institutional management of any significant findings or other issues prior to reporting to this Committee. This process is intended to ensure that institutional management is aware of such issues and is allowed an adequate opportunity for discussion and comments. A description of the new protocol is set forth on Page 14.6.

Mr. Chaffin will also report on the System-wide Internal Audit Strategic Plan, as set forth on Pages 14.7 – 14.9. The plan is the result of collaboration among institutional audit directors and the System Audit Office and includes objectives, strategies, and performance measures to address six primary initiatives for Fiscal Year 2005.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
1998-07	UTHSC-H	Federal Contracts & Grants Review		1		1	11/30/2004	Satisfactory	C
2000-04	UTHSC-H	Medical Service Research & Development Plan Summary of Operations Review		1		1	11/30/2004	Satisfactory	C
2001-04	UTPA	Internet Security		1		1	12/31/2004	Satisfactory	O
2001-08	UTMDACC	Lotus Notes Environment		2		2	4/1/2005	Satisfactory	O
2001-10	UTHSC-SA	Information Security		1		0	9/1/2004	Completed	C, O
2001-10	UTMDACC	Disaster Recovery/Business Continuity Planning		1		1	6/30/2004	Satisfactory	O
2001-11	UTT	Information Technology General Security Review		2		1	3/1/2005	Satisfactory	O
2002-02	UTHSC-H	Environmental & Physical Safety Compliance Program Review		1		0	8/31/2004	Completed	C
2002-04	UTB	General Controls Audit of Information Technology		1		1	12/31/2004	Satisfactory	O
2002-05	UTA	Network Support Audit		1		1	1/1/2005	Satisfactory	O
2002-05	UTSYS ADM	Office of Information Resources Follow-up		1		1	11/1/2004	Satisfactory	O
2002-07	UTHSC-H	Healthcare Billing Compliance Review		1		1	11/30/2004	Satisfactory	F, C
2002-08	UTHSC-SA	Institutional Compliance Program		2		2	2/28/2005	Satisfactory	C
2002-08	UTSYS ADM	Travel and Entertainment Expenditures		1		1	11/30/2004	Satisfactory	O, C
2002-09	UT Austin	Travel		1		0	6/30/2004	Completed	O, C
2002-10	UT Austin	Unit Heads		1		0	6/30/2004	Completed	O, C
2002-10	UTSYS ADM	UTHC-Tyler Clinical Trials		1		1	2/1/2005	Satisfactory	O, F
2002-11	UTMDACC	Temporary Personnel		1		1	9/28/2004	Satisfactory	O
2003-03	UTPA	General Controls		5		5	12/31/2004	Satisfactory	O
2003-05	UTMB Galveston	Delivery of Operating Room Services		2		2	11/30/2004	Satisfactory	O
2003-06	UTA	Internal Audit Office Peer Review		1		1	9/30/2004	Satisfactory	C,O
2003-06	UT Austin	University Data Center		1		1	12/31/2004	Satisfactory	O
2003-06	UTD	General Controls		2		1	12/31/2004	Satisfactory	C,O
2003-07	UTMDACC	Payroll Operations		1		1	6/1/2004	Satisfactory	O

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
2003-08	UTPA	Center for International Programs		1		1	9/30/2004	Satisfactory	F, C
2003-08	UTMB Galveston	Pharmacy Costs of Goods Sold Review		1		1	12/31/2004	Satisfactory	O, F
2003-08	UTMB Galveston	School of Medicine Office of Student Affairs		2		1	9/30/2004	Satisfactory	C, O
2003-09	UTB	Lab Safety		2		2	9/30/2004	Satisfactory	O
2003-09	UTHSC-H	Quality Assessment of The Office of Auditing and Advisory Services		8		8	8/31/2005	Satisfactory	C, O
2003-09	UTHC-T	Medical Services, Research and Development Plan AFR		1		1	8/31/2007	Satisfactory	O, F
2003-09	UTHC-T	General Information Technology Controls		5		0	7/31/2004	Completed	O
2003-09	UTSYS ADM	System Available Balances		1		1	10/31/2004	Satisfactory	F
2003-11	UT Austin	Harry Ransom Humanities Research Center		1		1	9/30/2004	Satisfactory	F
2003-11	UTSA	Research Development		1		1	12/1/2004	Satisfactory	O
2003-11	UTMDACC	Pharmacy Charge Capture		2		1	7/31/2004	Satisfactory	O
2003-12	UTD	Lab and Biological Safety		1		1	10/8/2004	Satisfactory	C, O
2003-12	UTPB	AFR FYE 8/31/03		1		1	9/30/2004	Satisfactory	F
2004-01	UTEP	Information Technology - General Controls Review		2		2	12/31/2004	Satisfactory	O
2004-01	UTSA	Lab Safety		2		2	1/1/2005	Satisfactory	C, O
2004-01	UTMDACC	PeopleSoft Payroll		1		1	8/31/2005	Satisfactory	O
2004-01	UTMDACC	2003 Mainframe Disaster Recovery Test		1		1	12/1/2004	Satisfactory	O
2004-02	UT Austin	Compliance Inspection: Account Reconciliation and Segregation of Duties		3		3	11/30/2004	Satisfactory	C
2004-02	UTMB Galveston	Compliance Inspection: Account Reconciliation and Segregation of Duties		3		2	12/31/2004	Satisfactory	F, O
2004-02	UTHSC-SA	MSRDP Front-End Billing		3		3	8/31/2005	Satisfactory	O
2004-02	UTMDACC	Compliance Inspection: Account Reconciliation and Segregation of Duties		1		1	9/1/2004	Satisfactory	F, C

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
2004-02	UTHC-T	Inventories Audit FY 2003		2		1	10/31/2004	Satisfactory	F, O
2004-03	UT Austin	Information Security Management		2		2	8/31/2005	Satisfactory	C, O
2004-03	UTB	Contracts and Grants		1		1	12/1/2004	Satisfactory	C, O
2004-03	UTD	Key Shop		1		0	12/31/2004	Completed	C, O
2004-03	UTPA	Accounts Receivable and Allowance for Bad Debts		2		2	11/30/2004	Satisfactory	C
2004-03	UTSA	Information Technology Organization and Planning Controls		2		2	4/30/2005	Satisfactory	F, O
2004-04	UTA	Tuition and Fees		1		0	11/1/2004	Completed	O
2004-04	UTPA	External Quality Assurance Review		3		0	6/30/2004	Completed	O
2004-04	UTHC-T	Capital Assets FYE 8/31/03		2		2	8/31/2005	Satisfactory	C, O
2004-04	UTHC-T	Discretionary Funds		2		2	8/31/2005	Satisfactory	F, O
2004-05	UTA	Office of Research - Grants/Contracts				1	11/30/2004	Satisfactory	C
2004-05	UTD	Time and Effort Reporting				1	12/31/2004	Satisfactory	C
2004-06	UTB	Financial and Applications Controls Audit of the Financial Aid Office				1	5/31/2005	Satisfactory	C, O
2004-06	UTHC-T	Surgical Services				3	11/30/2004	Satisfactory	F, C, O
2004-07	UTEP	Facility Services				1	1/31/2005	Satisfactory	O
2004-07	UT Southwestern	Construction Management				1	11/30/2004	Satisfactory	C, O
2004-07	UTMB Galveston	Basic and Clinical Research Management (BACRM) & Contracts and Grants (C & G)				8	4/30/2005	Satisfactory	F, C, O
2004-07	UTMB Galveston	Post Implementation Review - Clinical Cash Collections Process				0	7/31/2004	Completed	C, O
2004-07	UTHSC-H	Gulf States Hemophilia and Thrombophilia Center				0	8/31/2004	Completed	C
Totals				94		90			

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmt. ("F"), Compliance ("C"), and/or Operations ("O")
STATE AUDITOR'S OFFICE AUDITS									
2002-05	UTMDACC	Statewide Single Audit report for Year Ended August 31, 2001		1		1	8/31/2004	Satisfactory	n/a
2002-09	UTB	A Financial Review		1		1	12/31/2004	Satisfactory	n/a
2002-11	UTMB	Security Over Electronic Protected Health Information at Selected Texas Academic Medical		2		1	4/20/2005	Satisfactory	n/a
2002-11	UTMDACC	Security Over Electronic Protected Health Information at Selected Texas Academic Medical		3		3	7/1/2005	Satisfactory	n/a
2003-02	UT Austin	Statewide Audit FYE 8/31/02		2		2	8/31/2005	Satisfactory	n/a
2004-02	UTSA	Financial Review		3		3	12/31/2004	Satisfactory	n/a
2004-03	UT Austin	Statewide Audit FYE 8/31/03		3		1	12/31/2004	Satisfactory	n/a
2004-03	UT Southwestern	Statewide Audit FYE 8/31/03		1		0	5/31/2004	Completed	n/a
2004-06	UT Austin	Protection of Research Data at Higher Education Institutions				3	12/31/2005	Satisfactory	n/a
2004-06	UT Southwestern	Protection of Research Data at Higher Education Institutions				3	12/31/2005	Satisfactory	n/a
2004-06	UTHSC-SA	Protection of Research Data at Higher Education Institutions				3	4/30/2005	Satisfactory	n/a
2004-06	UTSYS ADM	Protection of Research Data at Higher Education Institutions				3	4/30/2005	-	n/a
Totals				16		24			

n/a - State Auditor's Office recommendations are significant by definition.

Color Legend:

Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention. Corrective action will be taken subsequent to the quarter in which the finding was reported.

Significant progress has been made during the quarter the significant finding was reported.

A red audit becomes a yellow when significant progress has been made.

All issues were appropriately resolved during the quarter the significant finding was reported.

All issues have been appropriately resolved.

Note: **Completed** - The component Internal Audit Director deems the significant issues have been appropriately addressed and resolved.

Satisfactory - The component Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.

Unsatisfactory - The component Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

*** OTHER U. T. SYSTEM AUDITS COMPLETED - 6/2004 through 8/2004**

Month Received by System	Institution	Audit
2004-06	UTHC Tyler	Critical Services Departmental Audit
2004-06	UTHC Tyler	Payroll Audit
2004-06	UT System Admin	Employee Group Insurance Financial & Information Technology
2004-06	UT System Admin	UT San Antonio NCAA Agreed-Upon Procedures FYE 8/31/03
2004-07	UT Austin	Retail Cash Operations: Campus Club
2004-07	UT Austin	Retail Cash Operations: Division of Housing & Food Services
2004-07	UT Dallas	Accounts Receivables and Allowance for Doubtful Accounts
2004-07	UT Dallas	Tuition and Fees Revenues
2004-07	UT Pan American	College of Science and Engineering Dean's Office
2004-07	UT Pan American	State Appropriations
2004-07	UT Pan American	Workmen's Compensation Insurance Resource Allocation Procedures
2004-07	UT System Admin	UT Arlington NCAA FYE 8/31/03
2004-08	UT Arlington	Department of History Departmental Review
2004-08	UT Arlington	Endowments
2004-08	UT Arlington	NCAA Recruiting Compliance Audit
2004-08	UT Arlington	Payroll Services
2004-08	UT Austin	Texas Box Office / Paciolan Ticketing System
2004-08	UT Austin	Parking and Transportation Services
2004-08	UT Austin	Office of Resource Development
2004-08	UT Brownsville	Purchasing Office - Change in Management
2004-08	UT Dallas	ATP/ARP Grants
2004-08	UT Dallas	Equal Employment Opportunity
2004-08	UT Permian Basin	Endowment Compliance
2004-08	UT Permian Basin	Office of Accounting - Change in Management
2004-08	UT Southwestern	Inspection of Current Time and Effort Compliance Activities
2004-08	UTMB - Galveston	Annual Financial Reports of Coordinating Board
2004-08	UTMB - Galveston	ARP/ATP Grants
2004-08	UTMB - Galveston	Educational Affairs Decentralized Information Technology Operations
2004-08	UTMB - Galveston	Faculty Group Practice Financial Services - Credit Balances
2004-08	UTMB - Galveston	HealthCare Systems Clinical Staffing Office
2004-08	UTMB - Galveston	Hospital Patient Financial Services Credit Balances
2004-08	UTMB - Galveston	Internal Medicine Comprehensive System Operations
2004-08	UTMB - Galveston	Research Time and Effort Reporting System
2004-08	UTMB - Galveston	Surgery Decentralized Information Technology Operations
2004-08	UTMB - Galveston	Telecommunications Service Center
2004-08	UT System Admin	Backup and Recovery System Admin Electronic Data Hosted at UT Austin
2004-08	UT System Admin	Educational System Alignment Grants Consulting
2004-08	UT System Admin	Follow-Up of the Post Payment Audit Report from the Office of the Comptroller
2004-08	UT System Admin	Compliance Audit - Office of Finance

*** STATE AUDITOR'S OFFICE AUDITS COMPLETED - 6/2004 through 8/2004**

Report Issuance Date	Institution	Audit
2004-06	UT Austin	Protection of Research Data at Higher Education Institutions
2004-06	UT Southwestern	Protection of Research Data at Higher Education Institutions
2004-06	UTHSC San Antonio	Protection of Research Data at Higher Education Institutions
2004-06	UT System Admin	Protection of Research Data at Higher Education Institutions

AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Significant Findings Tracking System

Process for Adding Significant Findings Not Reported by Individual Institutions and Other Uses of Color Coded Reporting

“Significant” audit findings are defined in Business Procedure Memorandum #18 as reportable audit findings or recommendations considered significant at the institutional level by the component internal audit committee or their designee. The UT System Audit Office is responsible for providing oversight of Internal Audit activities at component institutions and for ensuring a timely audit response to significant System-wide risks.

Significant Findings Not Reported by Individual Institutions

Periodically, significant findings are included in the tracking system based on identification and response to system-wide risks by the System Audit Office. These include audit findings that may not initially be considered significant by an individual institution, but may have system-wide significance based on events transpiring at other institutions within or outside of the UT System. Significant findings may also be added based on the results of special audits initiated by the Director of the System Audit Office in response to critical, high-visibility internal control events that present an immediate, system-wide risk concern (i.e. publicity related to the 2003 fraud scheme at the University of North Texas). Special system-wide audits of high-risk areas are designed to provide assurance to the UT Board of Regents and executive management that an appropriate system of internal controls is in place at each institution to minimize a significant recognized risk.

Other Uses of Color Coded Reporting

The color coded reporting format used in the Significant Findings Tracking System may also be used to report issues to the Audit, Compliance, and Management Review Committee (ACMRC), where a clearly defined color coded chart illustrates the component status on an issue.

Notification Process

Prior to including findings in the Significant Findings Tracking System that were not initially reported as significant by an individual institution, the System Audit Office will notify the institution President, Chief Business Officer, and Internal Audit Director of its intent to do so and allow a two-week period for discussion and comments.

Prior to using the color coded reporting format to report an issue to the ACMRC, the System Audit Office will notify all Presidents, Chief Business Officers, and Internal Audit Directors of its intent to do so and the color code for the component to allow a two-week period for discussion and comments.

The University of Texas System-wide Internal Audit Strategic Plan for 2005

System-wide Internal Audit Mission Statement

The mission of the System-wide Internal Audit function is to assist the Board of Regents and executive management in accomplishing their goals by providing assurance and consulting activities to evaluate and improve the processes of risk management, control, and governance across The University of Texas System.

The University of Texas System-wide Internal Audit Strategic Plan is intended to articulate the broad framework, direction, and priorities of the System-wide audit function, and to support the mission of The University of Texas System, through the following strategic initiatives:

- I. Adequate and Sustained Resources
- II. Anticipation of and Response to Risk
- III. Effective Communication and Reporting
- IV. Collaboration and Partnerships
- V. Compliance with Standards and Requirements
- VI. Completion of Plan of Work

Strategic Initiatives:

I. Adequate and Sustained Resources

Objective: *To provide a professional, well-trained, and motivated team, at an appropriate level, for the benefit of The University of Texas System in the delivery of audit services.*

Strategies:

1. Expand collaboration in recruiting, selecting, and hiring highly qualified professionals; develop a System-wide Recruiting Program and Recruiter Training.
2. Establish processes to enhance career development and retain competent audit professionals; develop a System-wide Training Program.

Performance Measures:

1. Overall evaluation of "Exceeds Expectations" on an annual survey of executive officers and Board members.
2. Overall positive score on customer feedback surveys regarding quality of work performed for all engagements.
3. Overall positive score on annual survey of audit personnel regarding career development and job satisfaction.
4. Overall positive score on annual survey of UT component audit directors regarding value-added recruiting and training activities.

II. Anticipation of and Response to Risk

Objective: *To become and remain informed and aware of the risks in all environments that affect The University of Texas System and to develop a plan of work that addresses those risks.*

Strategies:

1. Risk Identification - Identify potential risks that may affect UT System's ability to successfully implement its strategy and achieve its objectives, including known risks that have changed in magnitude, impact, or both.
2. Risk Assessment - Consider how potential risks might affect the achievement of UT System objectives.
3. Risk Response - Identify and evaluate appropriate risk response options, communicate them to management, and incorporate appropriate response activities into the plan of work.

Performance Measures:

1. Effective identification, evaluation, and communication of at least three previously unknown or unrecognized System-wide risks annually.
2. Effective identification, evaluation, and communication of risk response options for newly identified risks, including options to address known risks that have changed in magnitude, impact, or both.

III. Effective Communication and Reporting

Objective: *To provide a framework and process by which information can be exchanged and ideas expressed effectively amongst internal audit functions and between the System-wide internal audit function and the ACMRC.*

Strategies:

1. Quarterly Internal Audit Council Meetings.
2. Internal Audit directors communicate with liaisons on a semi-weekly basis via Liaison Reports.
3. Monthly teleconference calls between all internal audit functions.
4. Quarterly newsletter published.
5. Roundtable discussions amongst internal audit staff (seniors, etc.) to facilitate knowledge sharing on current events, audit approaches, and best practices.
6. Communication between System-wide Internal Audit function and ACMRC.

Performance Measures:

1. Overall evaluation of "Exceeds Expectations" on an annual survey of executive officers and Board members regarding effectiveness of communication tools and processes.
2. Overall positive score on annual survey of system-wide internal audit personnel regarding effectiveness of communication tools and processes.

IV. Collaboration and Partnerships

Objective: *To foster an environment that facilitates open communication and develops relationships amongst the component internal audit functions to ensure accomplishment of the goals and objectives System-wide.*

Strategies:

1. Identify, during the annual audit planning process, those areas where collaboration opportunities exist and incorporate them into the System-wide audit plan.
2. Collaborate on the development of the System-wide Annual Audit Plan.
3. Coordinate activities with external reviewers to maximize coverage of institutional risks and minimize duplication of efforts.

Performance Measures:

1. Participation in at least 2 System-wide collaborative projects annually by each component audit office.
2. Completion of at least 2 System-wide collaborative projects annually by the overall System-wide audit function.
3. Overall positive score on annual survey of System-wide internal audit personnel regarding value-added collaborative activities.

V. Compliance with Standards and Requirements

Objective: *To ensure University of Texas System internal auditing activities are conducted in accordance with relevant professional standards and other internal and external requirements.*

Strategies:

1. Maintain an internal audit charter that formally defines the internal audit activity's purpose, authority, and responsibilities.
2. Maintain an active quality assurance program in every U. T. audit office to ensure appropriate operations.
3. Ensure compliance with governance and external documents, such as IIA Standards and Audit Committee charters.

Performance Measures:

1. Quality Assurance Reviews completed on 100% of engagements.
2. All internal audit departments conduct a self-review at least every 3 years.
3. All internal audit departments that undergo external peer reviews receive a "Conforms to IIA Standards" opinion from external quality assurance review team at least every 3 years.

VI. Completion of Plan of Work

Objective: *To accomplish activities outlined in the approved plan of work, developed through risk assessment to add value and improve operations.*

Strategies:

1. Perform risk-based assurance and consulting activities.
2. Report results of work to management in a timely manner.
3. Monitor accomplishment of plan of work.

Performance Measures:

1. At least 85% of the approved Plan of Work accomplished annually.
2. Reports or memorandums issued on average within 45 days of completion of work.

9. **U. T. System: Annual Report on System-wide Institutional Compliance Program**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Ms. Kimberly Hagara, Assistant Director for System-wide Compliance, will brief the Audit, Compliance, and Management Review Committee on the annual report of the System-wide Compliance Program, as set forth on Pages 15.1 – 15.4. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.

Next, Mr. Chaffin will report on the overall number and types of compliance "hotline" calls that have been received System-wide during Fiscal Year 2004.

Mr. Chaffin and Ms. Hagara will then brief the Committee on the status of the Compliance Program Peer Review process. A schedule of component peer reviews is set forth on Page 15.5.

**The University of Texas System
Institutional Compliance Program
Annual Report Summary
Fiscal Year Ended August 31, 2004**

Program Executive Summary

The University of Texas System Institutional Compliance Program was established to ensure that the entire U. T. System (including its 15 institutions, System Administration, and UTIMCO) operates in compliance with all applicable laws, policies and regulations governing higher education institutions. In order to achieve this assurance, the institutional compliance offices at System Administration and each institution:

- Perform annual compliance risk assessments;
- Provide campus-wide compliance training and promote compliance awareness;
- Provide specialized training for high-risk compliance areas;
- Continuously monitor and inspect the institution’s high-risk compliance activities;
- Manage the institution’s confidential reporting mechanisms (hotline, etc.);
- Report compliance activities and significant compliance issues to executive management;
- Actively engage an Institutional Compliance Committee that meets at least quarterly

The System-wide Compliance Officer, Mr. Charles Chaffin, is responsible for apprising the Chancellor and Board of Regents of the status and activities of the institutional compliance function. Overall, approximately **98** employees system-wide provide direct support to the Institutional Compliance Program.

System-wide Program Activity

The System-wide Compliance Office provided oversight and support to the Institutional Compliance Program during the 2004 fiscal year through the following activities:

- **Developed a Compliance Program Peer Review Process and coordinated institutional compliance program peer reviews** for System Administration and 8 of 15 campuses. The System-wide Compliance Office developed a peer review guide, standard engagement agreements and report formats, helped identify best practices, identified team members, coordinated preparatory review activities, and facilitated team meetings. Institutions receiving peer reviews in 2004 were:

U. T. Dallas	U. T. El Paso	U. T. San Antonio
U. T. Pan American	U. T. HSC Houston	U. T. System Administration
U. T. Tyler	U. T. HSC San Antonio	U. T. HC Tyler

All remaining institutions will receive peer reviews during the 2005 fiscal year. Benefits of the peer reviews have included the identification and sharing of best practices, improved identification and monitoring of compliance activities, an enhanced sense of community and synergy between U. T. institutions, clarification of compliance roles and responsibilities, and identification of next steps for improving individual institutional programs.

- **Hosted a national conference on “The Sarbanes-Oxley Act and Higher Education”** in October 2003 which was attended by over 160 business officers, audit directors, and compliance and legal professionals.
- **Hosted a national conference on “Enterprise Risk: Building a Culture of Ethics and Compliance”** in April 2004 with over 175 participants representing more than 60 institutions of higher education. The focus of the conference included compliance program fundamentals, research and high-risk area compliance, and enterprise risk management (ERM).

- **Assisted in the development of a non-retaliation (“whistleblower”) policy for U. T. System.**
Business Procedures Memorandum 67 – Protection from Retaliation for Reporting Wrongdoing was implemented in May 2004.
- **Collaborated with the System Administration Compliance Office to negotiate a system-wide contract with The Network, Inc.,** to provide third party compliance hotline services for all institutions. The contract resulted in cost savings to the U. T. System of \$20,000 or 30% over the combined prior institutional contracts.
- **Coordinated and hosted Compliance Officer Meetings** in October 2003 and March 2004, as well as a teleconference in June 2004. Agenda topics included Sarbanes-Oxley, hotline procedures, compliance peer reviews, time and effort reporting, HIPAA and privacy issues, and accountability.
- **Facilitated and participated in meetings of the High-risk Working Groups,** including Conflict of Interest, Environmental Health & Safety (EH&S), Health Insurance Portability and Accountability Act (HIPAA), Information Technology, Medical Billing, and Endowment Compliance.
- **Actively participated in monthly meetings (via conference call) of the University Compliance Group** and hosted a face-to-face meeting with this group in Austin in conjunction with the April Compliance Conference. The UCG is comprised of compliance representatives from large research institutions, including Duke, Minnesota, UCLA, Michigan, Stanford, and Harvard.
- **Made presentations on the U. T. System Institutional Compliance Program and maintained a national presence** through professional organizations such as the National Council of University Research Administrators, the Council on Governmental Relations Meeting, the National Association of State Universities and Land Grant Colleges, the Open Compliance & Ethics Group, and the Association of College and University Auditors.

Institutional Program Activity¹

Risk Assessment and Monitoring Activities

Common significant institutional risk areas the Institutional Compliance Offices focused on during FY 2004 included:

- **Asset Management** - safeguarding of physical and financial assets
- **Clinical Billing** - medical billing that is not appropriately documented and coded
- **Endowments** - adherence to terms of endowment agreement
- **Environmental Health & Safety** - proper use and handling of dangerous materials, lab safety, and fire safety
- **Human Resources** - adherence to applicable rules, regulations and laws including equal opportunity/affirmative action, leave administration, and fair hiring practices
- **Information Resources/Security** - systems integrity/continuity/availability, security regulations, and external access
- **Intercollegiate Athletics** - adherence to the rules and regulations of the NCAA
- **Research** - research not conducted in accordance with approved protocol or federal regulations
- **Contract Administration / Effort Reporting** - improper effort reporting on federal grants, unallowable costs
- **Privacy (HIPAA, FERPA, Graham-Leach-Bliley)** – improper disclosure of private/sensitive/protected information

The monitoring activities in place to mitigate these risks include, but are not limited to:

¹ Details regarding activities at the institutional level are published in the *Institutional Compliance Program Annual Report for Fiscal Year 2004*.

- Reporting by parties responsible for each risk area on a quarterly basis
- Ensuring that compliance plans and/or institutional policies and processes are in place to address such risks
- Providing specialized training related to the risks
- Conducting reviews and remediation of high-risk area activities when appropriate

Assurance Activities and Significant Findings

The following types of assurance activities were performed at the institutions during the year:

- **Inspections** – Sampling and observation to ensure that mitigating activities defined in the monitoring plan are being appropriately performed for all high-risk areas.
- **Certifications** – Several institutions require budget authorities to annually assess and certify their compliance with laws, rules, and policies and the existence of sound internal controls in their departments.
- **Audits** – Internal and external audits were performed for high-risk areas based on priority risks, audit cycles, or the perceived readiness of high-risk areas for which compliance plan objectives had been accomplished.
- **Peer Reviews** – External and internal peer reviews were conducted in several high-risk areas, such as Environmental Health and Safety, NCAA, and Contracts and Grants. Peer reviews are conducted by area experts and serve to validate the existence of sound practices and controls within specialized functional areas. In addition, reviews of the overall compliance program infrastructure and activities were completed for 8 of the institutions and System Administration.

Training Activities

General Compliance Training was conducted using a variety of formats including web-based, classroom, and written materials. Approximately **60,000** employees completed training. Additionally, specialized training was conducted for high-risk areas, including: Endowments, Environmental Health & Safety, HIPAA, Human Resources, Intercollegiate Athletics, Research Administration, SSN Privacy, Medical Billing, Account Reconciliation, Effort Reporting, Clinical Documentation, and Human Subjects Protection.

Action Plan Activities

A majority of the Action Plans established by each institution for FY 2004 focused on the following activities: enhancement of General Compliance Training; enhancement of compliance awareness; updating of the compliance risk assessment to include new risks like Effort Reporting; revision of the Standards of Conduct Guide or Compliance Manual; and enhancement of the confidential reporting line tracking system. The majority of items identified in the 2004 Action Plans were completed. The remaining items are in the process of completion at this time.

Other Activities

Many compliance offices also engaged in a number of additional activities at the request of institutional management. These activities included, but are not limited to:

- Coordination of SSN remediation efforts in accordance with *Business Procedures Memorandum 66 – Social Security Number Confidentiality* implementation
- Assistance with Enterprise-wide Risk Assessments
- Oversight of FERPA awareness initiatives
- Coordination of HIPAA privacy compliance and training
- Assistance with internal control assessments related to the Sarbanes-Oxley initiative
- Completion of risk assessments and reporting in conjunction with the Governor's Fraud Initiative
- Time and effort reporting assessments and process improvement initiatives

Confidential Reporting

The institutions have established numerous mechanisms for confidential reporting including: third-party serviced telephone hotlines, anonymous electronic mailboxes, voicemail boxes, and postal mailboxes. The confidential reporting mechanisms are advertised to employees through websites, posters, payroll stuffers, and newsletters. Additionally, reports may be made directly to the Compliance Officer. The reports of suspected instances of non-compliance received in FY 2004 were categorized as follows:

Type	Number	% of Total
Improper Use of University Property & Resources	50	9.8
Human Resources	252	49.2
Healthcare	96	18.8
Research	10	2.0
Policy / Ethics	50	9.8
Safety	2	0.4
Fiscal Reporting/Audit	10	2.0
Miscellaneous	42	8.2
Total	512	100%

Each institution has established an appropriate triage process. Members of the triage teams may include: Compliance Officer, Chief of Police, Director in Internal Audit, Director of Human Resources, Legal Officer, or other members of the Compliance Committee. All confidential reports have been appropriately resolved or are currently under investigation.

The 2004 Annual Summary Report is submitted by:

Charles G. Chaffin, System-wide Compliance Officer

**U. T. System-wide Compliance Program
Peer Review Status and Schedule**

September 2004

	On-Site Assessment Dates	Institution	Status
1	Dec. 8-9	UT Dallas	Completed
2	Feb. 9-11	UT Pan Am	Completed
3	Feb. 24-26	UTHSC San Antonio (*training review)	Completed*
4	Apr. 6-8	UTHSC Houston	Completed
5	May 5-7	UT El Paso	Completed
6	May 17-19	UT Tyler	Completed
7	May 24-26	UTHC Tyler	Completed
8	Jun. 28-30	UT San Antonio	Completed
9	Jul. 19-21	UT System Administration	Completed
10	October 2004	UT Brownsville	Pending
11	October 2004	UT Southwestern	Pending
12	November 2004	UT Arlington	Pending
13	February 2005	UT Austin	Pending
14	February 2005	UT Permian Basin	Pending
15	Spring 2005	UT MD Anderson (external review)	Pending
16	Spring 2005	UTMB Galveston	Pending
17	Summer 2005	System-wide Compliance Program	Pending
18	TBA	UTIMCO	Pending



TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 11/4/2004

Austin, Texas

Board Meeting: 11/5/2004

Austin, Texas

Woody L. Hunt, Chairman

John W. Barnhill, Jr.

H. Scott Caven, Jr.

Cyndi Taylor Krier

Robert B. Rowling

	Committee Meeting	Board Meeting	Page
Convene	5:30 p.m. <i>Chairman Hunt</i>		
1. U. T. System: Approval of <u>Docket No. 119</u>	Not on Agenda	Action	16
2. U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2004	5:30 p.m. Report <i>Mr. Aldridge</i>	Not on Agenda	16
3. U. T. System: Permanent University Fund quarterly update	5:35 p.m. Report <i>Mr. Aldridge</i>	Not on Agenda	17
4. U. T. Board of Regents: Report on Investments for quarter ended August 31, 2004, and Performance Report by Ennis Knupp + Associates	5:45 p.m. Report <i>Mr. Boldt</i> <i>Mr. Voss</i> <i>Mr. Sebastian</i>	Report	18
5. U. T. Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Liquidity Policy	5:55 p.m. Action <i>Chairman Hunt</i> <i>Mr. Boldt</i>	Action	19
Adjourn	6:00 p.m.		

1. **U. T. System: Approval of Docket No. 119**

RECOMMENDATION

It is recommended that Docket No. 119, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

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

2. **U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2004**

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2004 using materials attached on Pages 16.1 - 16.5. The Energy Utility Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to reduce energy consumption, better manage commodity price risk, and leverage its purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to the Board in November 2001. A 2-4% reduction in System-wide energy use per square foot was targeted for Fiscal Year 2003 and was achieved. A 5-10% reduction in energy usage is targeted for Fiscal Year 2006. The estimated reduction in energy usage through Fiscal Year 2004 is 5.4%. An annual update is presented to the Finance and Planning Committee of the Board each year.

Energy Utility Task Force (EUTF)

- The EUTF was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to:
 1. Reduce energy consumption
 2. Better manage commodity price risk
 3. Leverage System-wide purchasing power

- In order to facilitate the achievement of these goals, a series of recommendations and energy consumption reduction goals were presented to the Board of Regents in November 2001.

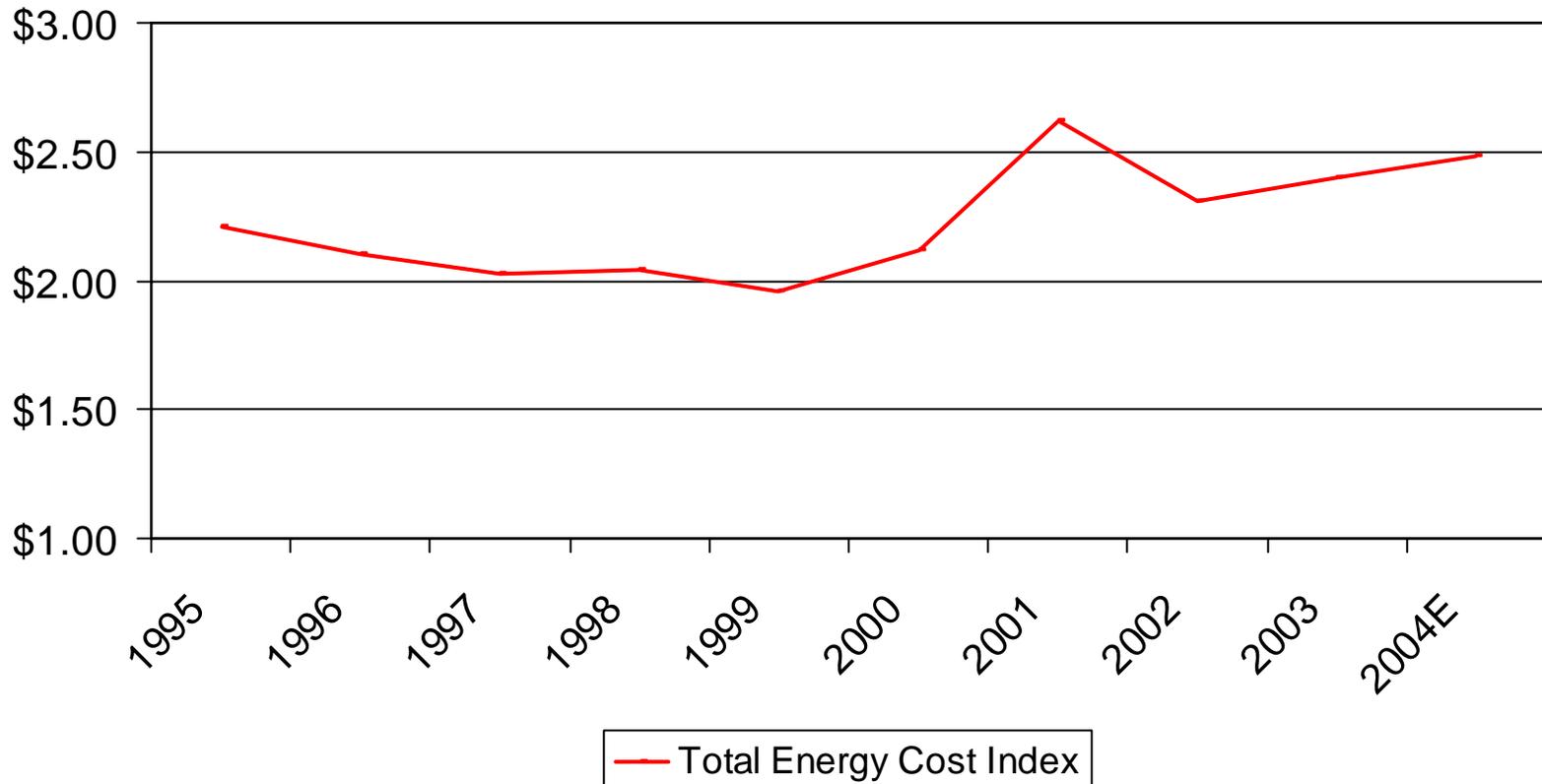
- Energy Management Plans were completed by each institution in FY 2002. These serve as the “road map” for accomplishing the objectives of the EUTF.

FY 2004 Major Accomplishments

- A 5.0% - 10.0% reduction in System-wide energy use per square foot was targeted by the EUTF by FY 2006. The current FY 2004 estimate shows a 5.4% reduction from baseline levels.
- Several dozen discrete energy conservation projects were completed. These projects range in size from a few thousand dollars to \$25 million.
- U. T. Southwestern Medical Center - Dallas, U. T. Arlington, U. T. Dallas, U. T. Permian Basin, U. T. Tyler and U. T. Health Center - Tyler signed a three-year contract with Constellation NewEnergy, Inc. to provide a discounted rate for electricity. The contract resulted in estimated savings in the first year of \$3.5 million.
- U. T. Austin extended a natural gas contract with the General Land Office that provides a low fixed price for most of its natural gas usage in FY 2005.

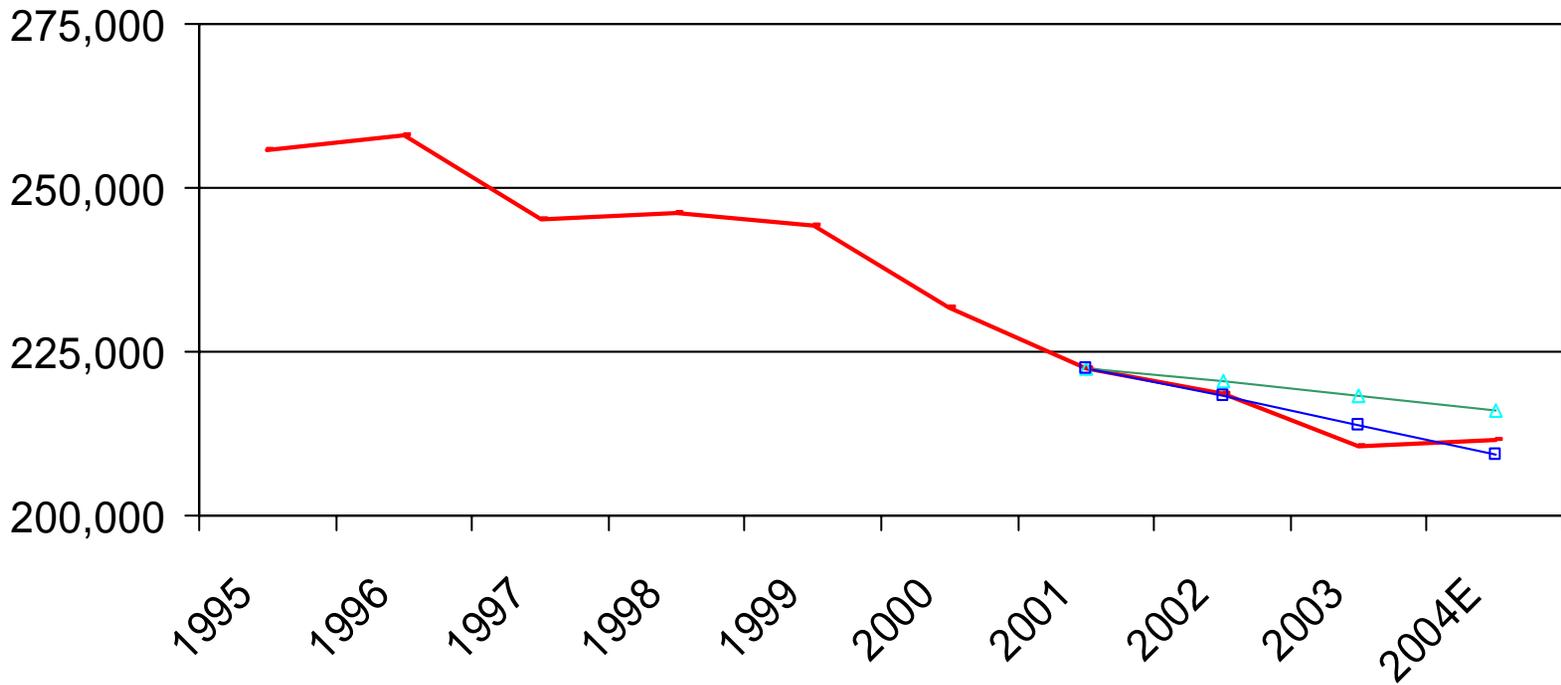
Updated Energy Cost Index (ECI)

(\$ / ft² /year)



Updated Energy Utilization Index (EUI)

(Btu / ft² /year)



- Stretch Goal of 10% Decline by FY 2006
- △— Threshold Goal of 5% Decline by FY 2006
- Total Energy Utilization Index

Updated Energy Consumption and Costs

Fiscal Year	Electricity Usage (Kwh)	Natural Gas Usage (Mcf)	Electricity Cost (\$/Kwh)	Natural Gas Cost (\$/Mcf)	Total Electricity Cost	Total Natural Gas Cost	Other Energy (MMBtu)	Other Energy Cost	Total Energy Cost	Gross Square Footage	Total Energy Utilization Index (Btu/ft2/yr.)
1993	758,530,624	5,853,351	\$0.051	\$2.51	\$38,935,177	\$14,694,160	13,089	\$20,417,665	\$99,749,453	43,375,329	258,909
1994	769,038,496	6,206,141	\$0.053	\$2.49	\$40,904,405	\$15,460,025	337	\$22,402,366	\$104,788,726	43,557,612	265,283
1995	808,741,916	6,042,415	\$0.049	\$1.93	\$39,375,137	\$11,668,437	40,677	\$24,128,388	\$97,624,796	44,255,704	256,234
1996	827,474,008	6,339,050	\$0.043	\$2.38	\$35,713,888	\$15,056,131	52,915	\$22,256,631	\$95,411,303	45,326,560	258,282
1997	929,746,528	6,773,047	\$0.045	\$2.74	\$41,591,080	\$18,539,034	27,059	\$24,583,570	\$97,767,351	48,182,721	244,161
1998	1,003,307,037	7,146,175	\$0.045	\$2.72	\$45,026,159	\$19,451,796	49,426	\$26,131,767	\$101,093,039	49,657,076	245,876
1999	1,006,136,057	6,972,357	\$0.044	\$2.48	\$44,763,535	\$17,305,073	28,863	\$25,298,997	\$99,614,128	50,881,399	243,204
2000	1,059,087,750	7,057,246	\$0.046	\$3.40	\$48,672,004	\$24,017,260	7,804	\$27,862,519	\$114,201,844	53,881,962	234,887
2001	1,054,912,766	7,173,448	\$0.057	\$5.95	\$60,042,574	\$42,701,958	13,640	\$28,682,667	\$149,021,376	56,944,770	223,851
2002	1,084,142,327	7,161,616	\$0.056	\$3.82	\$61,164,480	\$27,316,386	9,853	\$31,269,056	\$136,272,824	58,815,769	218,459
2003	1,111,095,048	6,865,339	\$0.056	\$5.02	\$62,231,156	\$34,414,715	13,551	\$30,863,465	\$144,883,219	60,303,662	210,507
2004E	1,176,072,787	7,426,526	\$0.057	\$5.06	\$67,222,035	\$37,568,335	12,200	\$33,963,643	\$158,001,586	63,712,858	211,539

16.5

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

Mr. Philip R. Aldridge, Associate Vice Chancellor for 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

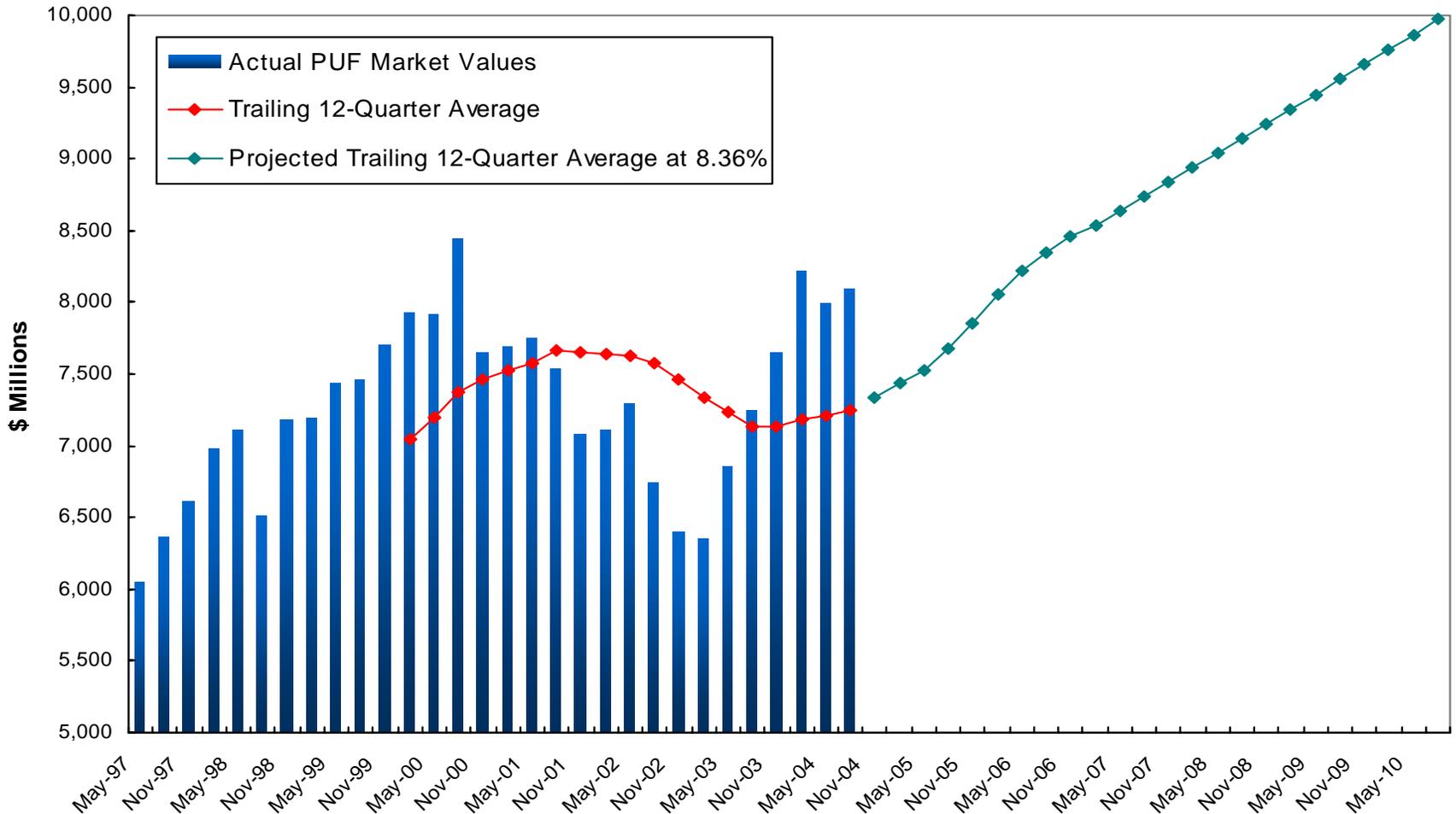
A summary of the assumptions used in calculating the PUF debt capacity is provided on Page 17.1. As of August 31, 2004, the market value of the PUF was \$8.1 billion compared to \$8.0 billion as of May 31, 2004 (Figure A on Page 17.2). During Fiscal Year 2005, \$341.2 million will be distributed to the AUF, compared to \$348 million in Fiscal Year 2004 (Figure B on Page 17.3). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006 and are not projected to be capped due to constitutional purchasing power restrictions.

Assuming a 8.36% investment return (Figure C on Page 17.4), there is an estimated \$308 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved if the updated PUF distribution forecast and the new debt structure as a result of the PUF Bonds, Series 2004A&B transaction and the \$60 million cash defeasance transaction completed in August are incorporated. This PUF debt capacity incorporates the impact of the \$100 million Library, Equipment, Repair and Rehabilitation (LERR) appropriation for Fiscal Year 2005. 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 17.5).

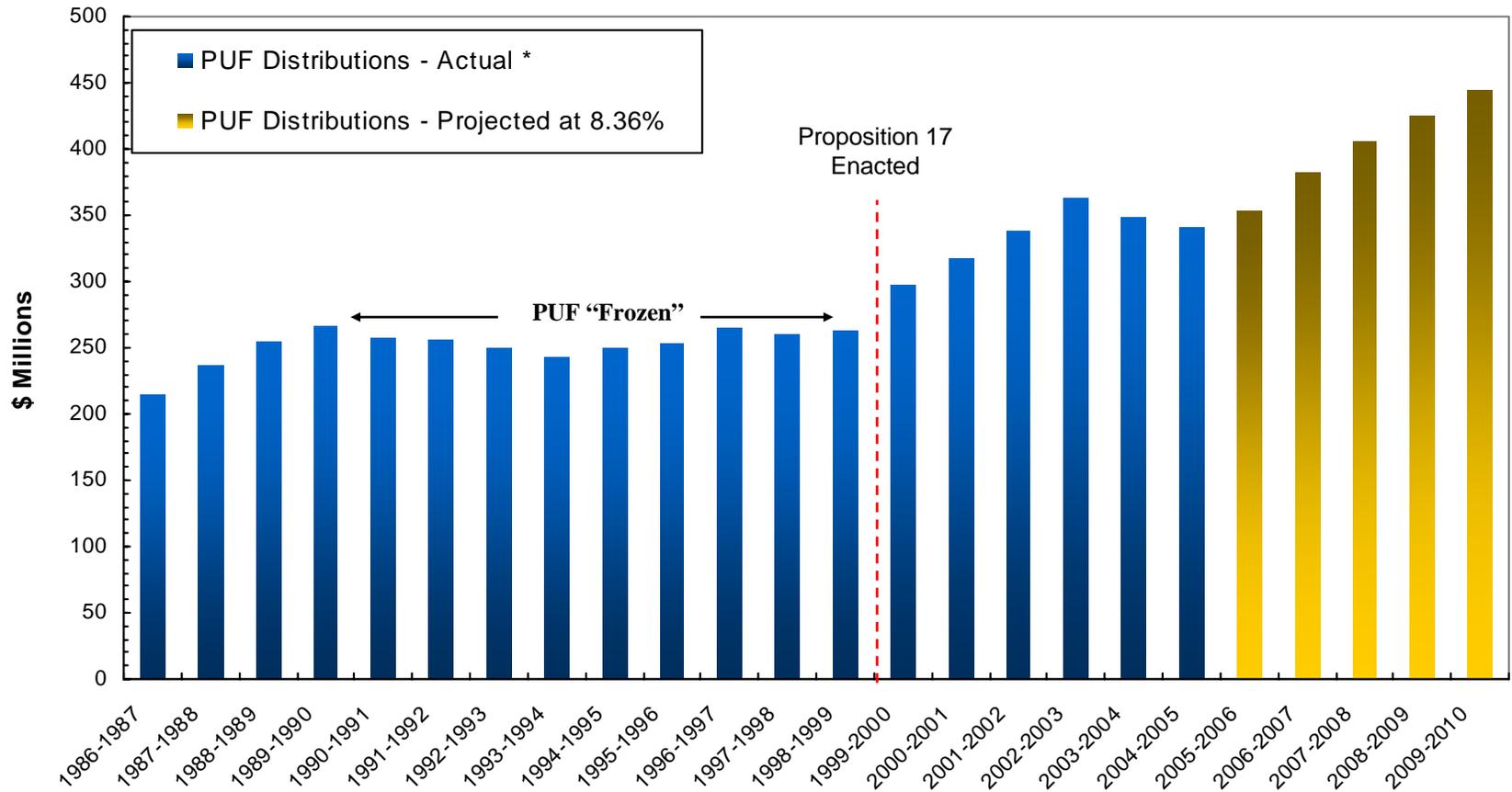
PUF Debt Capacity Base Case Assumptions

- PUF Distribution equals 4.75% of the average PUF net asset value for the trailing 12 quarters, unless restricted by Constitutional purchasing power requirements.
- U. T. Austin Excellence Funds equal 45% of the income available to U. T. System.
- Includes all PUF projects approved through August 2004.
- Forecasted PUF distribution amounts provided by UTIMCO based on long-term expected average annual rate of return of 8.36% starting from the PUF market value as of August 31, 2004.
- Annual LERR appropriations of \$30 million are projected to continue from FY 2006 through FY 2010, excluding projected additional \$10 million LERR appropriation to U. T. Dallas in FY 2006 associated with Project Emmitt.
- New PUF debt service structured as 20-year, tax-exempt debt with level debt service.

Projected Trailing 12-Quarter PUF Market Value Average



Permanent University Fund Distributions



* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million, which is not reflected.

PUF Debt Capacity-Base Case at 8.36%

	Actual	Projected						
Statement Forecast Data (\$ Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
Additional PUF Debt Capacity (\$307.7 Million)			\$150.6	\$0.0	\$0.0	\$62.8	\$49.2	\$45.1
Cumulative Additional PUF Debt Capacity			\$150.6	\$150.6	\$150.6	\$213.5	\$262.6	\$307.7
PUF Distribution Amount	\$363.0	\$348.0	\$341.2	\$353.3	\$382.5	\$405.4	\$424.5	\$443.9
Surface & Other Income	6.5	7.6	6.4	6.4	6.7	6.7	6.7	6.7
Divisible Income	369.6	355.6	347.6	359.7	389.2	412.0	431.2	450.6
UT System Share (2/3)	246.4	237.1	231.7	239.8	259.5	274.7	287.5	300.4
AUF Interest Income	5.1	3.0	2.2	2.8	3.5	4.0	4.5	4.9
Income Available to U.T.	251.5	240.1	233.9	242.7	263.0	278.7	291.9	305.3
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.3)	(105.3)	(109.2)	(118.3)	(125.4)	(131.4)	(137.4)
PUF Debt Service on Approved Projects	(69.7)	(72.1)	(80.7)	(100.0)	(102.7)	(105.2)	(107.6)	(110.3)
PUF Cash Defeasance	-	(60.0)	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	(11.8)	(11.8)	(11.8)	(17.0)	(21.2)	(25.0)
System Administration	(29.1)	(27.9)	(27.7)	(28.4)	(29.1)	(29.9)	(30.6)	(31.4)
Other	(1.6)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	(36.2)	7.3	(7.9)	(0.2)	0.0	0.0	0.0
Ending AUF Balance - System	82.0	45.8	53.1	45.2	45.0	45.0	45.0	45.0
PUF Debt Service Coverage	3.61:1	3.33:1	2.53:1	2.17:1	2.30:1	2.28:1	2.27:1	2.26:1

17.4

PUF Debt Capacity Sensitivities at 8.36%

	Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)						TOTAL	Projected PUF
	Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2005-2010	Market Value in FY 2030
	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
17.5	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
	\$20 Million	45.0%	4.75%	8.36%	NA	160.6	10.0	10.0	72.8	59.2	55.1	367.7	22,433,215,864
	\$10 Million	45.0%	4.75%	8.36%	NA	170.6	20.0	20.0	82.8	69.2	65.1	427.7	22,433,215,864
	None	45.0%	4.75%	8.36%	NA	180.6	30.0	30.0	92.8	79.2	75.1	487.7	22,433,215,864
	\$30 Million	40.0%	4.75%	8.36%	NA	303.5	0.0	11.4	74.7	57.0	53.0	499.7	22,433,215,864
	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
	\$30 Million	50.0%	4.75%	8.36%	NA	0.0	0.0	0.0	19.3	59.4	37.2	115.8	22,433,215,864
	\$30 Million	45.0%	4.50%	8.36%	NA	90.4	0.0	0.0	26.6	47.7	45.0	209.7	23,814,850,330
	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
	\$30 Million	45.0%	5.00%	8.36%	NA	195.4	0.0	45.1	69.0	50.3	44.7	404.5	21,119,738,500
	\$30 Million	45.0%	4.75%	7.36%	NA	147.7	0.0	0.0	45.5	30.8	24.8	248.7	17,466,554,591
	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
	\$30 Million	45.0%	4.75%	9.36%	NA	152.4	0.0	3.3	78.0	67.7	66.0	367.4	28,716,037,367
	\$30 Million	45.0%	4.75%	8.36%	+ 50 bps	137.2	0.0	0.0	56.7	46.1	42.4	282.3	22,433,215,864
	\$30 Million	45.0%	4.75%	8.36%	NA	150.6	0.0	0.0	62.8	49.2	45.1	307.7	22,433,215,864
	\$30 Million	45.0%	4.75%	8.36%	-50 bps	165.0	0.0	0.0	69.3	52.5	48.0	334.7	22,433,215,864

4. U. T. Board of Regents: Report on Investments for quarter ended August 31, 2004, and Performance Report by Ennis Knupp + Associates

REPORTS

Pages 18.1 - 18.7 contain the Summary Reports on Investments for the three months ended August 31, 2004.

Item I on Pages 18.1 - 18.2 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was .75% versus its composite benchmark return of 1.43%. The PUF's net asset value increased by \$89.9 million since the beginning of the quarter to \$8,087.9 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 18.3 - 18.5 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 .65% versus its composite benchmark return of 1.43%. The GEF's net asset value increased \$39.0 million since the beginning of the quarter to \$4,207.6 million.

Item III on Page 18.6 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.18% for the three months versus the SITF's performance benchmark of 1.20%. The SITF's net asset value decreased by \$11.2 million since the beginning of the quarter to \$1,178.0 million. This decrease in net asset value includes withdrawals from the SITF and distributions.

Item IV on Page 18.7 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$182.4 million to \$2,293.7 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$56.1 million versus \$56.0 million at the beginning of the period; equities: \$325.0 million versus \$308.8 million at the beginning of the period; and other investments: \$16.1 million versus \$2.2 million at the beginning of the period.

An Executive Summary of the Performance Report on investments for the quarter ended August 31, 2004, as prepared by Ennis Knupp + Associates is attached on Pages 18.8 - 18.15.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at August 31, 2004 (2)

(\$ millions)

	FY02-03	FY03-04				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
Beginning Net Assets	6,738.3	7,244.8	7,655.1	8,218.9	7,998.0	7,244.8
PUF Lands Receipts (3)	102.1	27.8	23.7	67.3	27.9	146.7
Investment Return	787.6	475.9	634.3	(107.7)	67.7	1,070.2
Expenses	(20.2)	(6.4)	(7.2)	(6.5)	(5.7)	(25.8)
Distributions to AUF	(363.0)	(87.0)	(87.0)	(174.0)	-	(348.0)
Ending Net Assets	<u>7,244.8</u>	<u>7,655.1</u>	<u>8,218.9</u>	<u>7,998.0</u>	<u>8,087.9</u>	<u>8,087.9</u>
AUF Distribution:						
From PUF Investments	338.4	87.0	87.0	174.0	-	348.0
From Surface Income	8.1	0.8	2.3	1.2	3.3	7.6
Total	<u>346.5</u>	<u>87.8</u>	<u>89.3</u>	<u>175.2</u>	<u>3.3</u>	<u>355.6</u>
Total Net Investment Return	12.02%	6.60%	8.34%	-1.39%	0.75%	14.73%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2004 values of \$722.1 million and \$164.0 million, respectively.

(3) PUF Land Receipts - As of August 31, 2004: 1,111,684 acres under lease; 514,430 producing acres; 3,097 active leases; and 2,065 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	3.7%	0.0%	0.31%	0.31%	90 Day T-Bills Average Yield
U.S. Equities	27.5%	25.0%	0.62%	1.11%	80% Russell 3000 Index plus 20% Wilshire Real Estate Securities Index
Global Equities	18.2%	17.0%	0.05%	-0.02%	Morgan Stanley Capital International - All Country World Free ex U.S
Equity Hedge Funds	8.2%	10.0%	0.63%	1.31%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	13.1%	15.0%	0.95%	1.06%	90 Day T-Bills Average Yield plus 3%
Commodities	4.7%	3.0%	-2.20%	-1.55%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	14.8%	15.0%	2.91%	3.56%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
Total Marketable Securities	90.2%	85.0%	0.72%	1.28%	
Private Capital	9.8%	15.0%	1.04%	2.30%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	0.75%	1.43%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at August 31, 200

(\$ millions)

	FY02-03		FY03-04									
	Full Year		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date					
Beginning Net Assets	3,293.2		3,584.8	3,952.6	4,244.5	4,168.6	3,584.8					
Net Contributions	(79.0)		209.5	135.8	106.9	107.3	559.5					
Investment Return	423.5		257.5	327.1	(57.5)	31.9	559.0					
Expenses	(5.8)		(2.6)	(2.6)	(2.1)	(2.3)	(9.6)					
Allocations (3)	(47.1)		(96.6)	(168.4)	(123.2)	(97.9)	(486.1)					
Ending Net Assets	3,584.8		3,952.6	4,244.5	4,168.6	4,207.6	4,207.6					
Net Asset Value per Unit	102.539		109.488	118.428	116.778	117.595	117.595					
Units and Percentage Ownership (End of Period):												
PHF	7,263,383	20.8%	7,174,022	19.9%	7,091,271	19.8%	7,007,471	19.6%	6,923,785	19.4%	6,923,785	19.4%
LTF	27,696,705	79.2%	28,926,791	80.1%	28,749,330	80.2%	28,688,862	80.4%	28,857,142	80.6%	28,857,142	80.6%
Total	34,960,088	100.0%	36,100,813	100.0%	35,840,601	100.0%	35,696,333	100.0%	35,780,927	100.0%	35,780,927	100.0%
Total Net Investment Return	12.81%		6.83%	8.22%	-1.37%	0.65%	14.77%					

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contribution. The allocation is proportional to the percentage of ownership by the unit holders, and therefore no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at August 31, 2004 (1)

(\$ millions)

	FY02-03	FY03-04				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
PERMANENT HEALTH FUND						
Beginning Net Assets	698.2	745.0	785.6	840.0	818.5	745.0
Investment Return	86.0	50.4	64.2	(11.7)	5.7	108.6
Expenses	(0.7)	(0.2)	(0.1)	(0.2)	(0.2)	(0.7)
Distributions (Payout)	(38.5)	(9.6)	(9.7)	(9.6)	(9.6)	(38.5)
Ending Net Assets	745.0	785.6	840.0	818.5	814.4	814.4
Net Asset Value per Unit (2)	0.908489	0.958104	1.024378	0.998166	0.993200	0.993200
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Uni	0.04700	0.01175	0.01175	0.01175	0.01175	0.047000
Total Net Investment Return	12.67%	6.76%	8.15%	-1.41%	0.68%	14.60%
LONG TERM FUND						
Beginning Net Assets	2,595.1	2,839.8	3,167.0	3,404.6	3,350.1	2,839.8
Net Contributions	59.6	165.1	17.2	33.8	60.4	276.5
Investment Return	332.1	204.4	260.5	(47.8)	24.0	441.1
Expenses	(3.1)	(3.3)	(0.9)	(1.0)	(0.9)	(6.1)
Distributions (Payout)	(143.9)	(39.0)	(39.2)	(39.5)	(40.3)	(158.0)
Ending Net Assets	2,839.8	3,167.0	3,404.6	3,350.1	3,393.3	3,393.3
Net Asset Value per Unit (2)	5.114	5.388	5.761	5.613	5.585	5.585
No. of Units (End of Period)	555,329,487	587,747,101	591,003,265	596,861,244	607,622,749	607,622,749
Distribution Rate per Uni	0.25800	0.066125	0.066125	0.066125	0.066125	0.264500
Total Net Investment Return	12.78%	6.76%	8.14%	-1.41%	0.68%	14.59%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF comprised of privately raised endowments and other long-term funds of U. T. System component

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GE
A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these func

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2004

	Market Exposure	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	2.3%	0.0%	0.31%	0.31%	90 Day T-Bills Average Yield
U.S. Equities	27.0%	25.0%	0.53%	1.11%	80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Global Equities	18.7%	17.0%	0.05%	-0.02%	Morgan Stanley Capital International - All Country World Free ex U.S
Equity Hedge Funds	8.5%	10.0%	0.61%	1.31%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	13.6%	15.0%	0.95%	1.06%	90 Day T-Bills Average Yield plus 3%
Commodities	4.8%	3.0%	-2.18%	-1.55%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	15.2%	15.0%	2.74%	3.56%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Treasury Inflation Protected Securities
Total Marketable Securities	90.1%	85.0%	0.68%	1.28%	
Private Capital	9.9%	15.0%	0.42%	2.30%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	0.65%	1.43%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class for the various asset classes in the endowment portfolio for the period reported

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at August 31, 2004

(\$ millions)

	FY02-03	FY03-04				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
Beginning Net Assets	1,435.9	1,435.3	1,366.5	1,106.2	1,189.2	1,435.3
Net Contributions (Withdrawals)	26.6	(73.4)	(267.4)	98.4	(18.9)	(261.3)
Investment Return	25.8	12.9	14.6	(8.5)	14.2	33.2
Expenses	(0.7)	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)
Distributions of Income	(52.3)	(8.1)	(7.4)	(6.7)	(6.4)	(28.6)
Ending Net Assets	1,435.3	1,366.5	1,106.2	1,189.2	1,178.0	1,178.0
Net Asset Value per Unit	9.917	9.947	10.000	9.863	9.927	9.927
No. of Units (End of Period)	144,736,640	137,378,810	110,618,420	120,565,911	118,671,708	118,671,708
Total Net Investment Return	1.64%	0.88%	1.20%	-0.77%	1.18%	2.49%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 2004

(\$ thousands)

ASSET TYPES	FUND TYPE												
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		BOC
	DESIGNATED		RESTRICTED		BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOC
Beginning value 05/31/04	3,039	3,039	2,379	2,379	76,605	76,605	677	677	2	2	2,393,465	2,393,465	2,476
Increase/(Decrease)	7	7	3,545	3,545	(2,781)	(2,781)	(138)	(138)	(2)	(2)	(183,065)	(183,065)	(182)
Ending value 08/31/04	3,046	3,046	5,924	5,924	73,824	73,824	539	539	-	-	2,210,400	2,210,400	2,294
Debt Securities:													
Beginning value 05/31/04	-	-	263	197	39,544	40,318	15,187	15,510	-	-	-	-	54
Increase/(Decrease)	-	-	-	10	(494)	(414)	45	495	-	-	-	-	-
Ending value 08/31/04	-	-	263	207	39,050	39,904	15,232	16,005	-	-	-	-	54
Equity Securities:													
Beginning value 05/31/04	40	10,130	5,914	5,328	38,859	42,102	20,887	21,127	-	-	258,038	230,150	326
Increase/(Decrease)	6	(1,522)	(4,007)	(4,032)	300	(1,289)	(46)	233	-	-	28,284	22,808	24
Ending value 08/31/04	46	8,608	1,907	1,296	39,159	40,813	20,841	21,360	-	-	286,322	252,958	350
Other:													
Beginning value 05/31/04	-	-	2,109	2,109	5	5	185	63	-	-	-	-	2
Increase/(Decrease)	15,000	15,000	(1,107)	(1,107)	(2)	(2)	5	-	-	-	-	-	16
Ending value 08/31/04	15,000	15,000	1,002	1,002	3	3	190	63	-	-	-	-	18

Report prepared in accordance with Texas Education Code Sec. 51.0032.
 Details of individual assets by account furnished upon request.

U.T. System Board of Regents
Report on Investments

Fiscal Year and Quarter Ending
August 31, 2004

As of August 31, 2004

CHANGE IN MARKET VALUE

(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (5/31/04)	\$7,998	\$4,169	\$12,167	\$3,813	\$15,980
Contributions	+28	+75	+103	+44	+147
Distributions & Withdrawals	-6	-68	-74	-227	-301
Changes due to Transfers:	+22	+7	+29	-183	-154
Income	+35	+18	+53	+7	+60
Appreciation/Depreciation	+33	+14	+47	+4	+51
Changes from Investment Activities:	+68	+32	+100	+11	+111
Ending Market Value (8/31/04)	\$8,088	\$4,208	\$12,296	\$3,641	\$15,937
Change in Market Value	\$90	\$39	\$129	-\$172	-\$43

- As illustrated above, the PUF (\$90 million) and GEF (\$39 million) both saw increases in market value during the fourth fiscal quarter, while the Operating Funds experienced a \$172 million decline.

RETURN SUMMARY

ENDING 8/31/04¹

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004
Permanent University Fund	0.7%	14.7%	6.0%	4.9%
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Long Term Fund	0.7	14.6	6.3	5.7
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Permanent Health Fund	0.7	14.6	6.3	4.8
Endowment Performance Benchmark ²	1.4	15.8	6.9	4.7
Short Term Fund	0.3	1.0	1.6	3.2
ML 90-day T-Bill	0.3	1.1	1.6	3.2
Short Intermediate Term Fund	1.2	2.5	2.6	4.5
Performance Benchmark	1.2	2.3	3.8	5.3
BGI U.S. Debt Index Fund	3.5	6.1	6.3	7.7
LB Aggregate Bond Index	3.5	6.1	6.2	7.7
BGI Equity Index Fund	-1.0	11.5	0.8	-2.0
S&P 500 Index	-1.0	11.4	0.8	-2.1

- The Permanent University Fund, Long Term Fund, and Permanent Health Fund all underperformed the Endowment Performance Benchmark during the fourth fiscal quarter, and have posted below benchmark trailing 1 and 3 year returns. Over the trailing 5 year period, however, all three funds have outperformed the Endowment Performance Benchmark.

¹ Rates of return greater than one year are annualized. UTIMCO reports its performance data net of all costs.

² Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO. The Endowment Performance Benchmark shown here does not agree with benchmark data shown in UTIMCO reports. UTIMCO made certain retroactive changes in its benchmark reporting that have not been approved by the Board of Regents.

As of August 31, 2004

PUF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 8/31/04
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$1,779	22.0%	20%	15-45%	Yes
REITs	442	5.5	5%	0-10	Yes
U.S. Equity	\$2,222	27.5%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$1,322	16.3%	10%	5-15%	No
Emerging Markets Equity	150	1.9	7%	0-10	Yes
Global ex-U.S. Equity	\$1,472	18.2%	17%	5-25%	Yes
Total Traditional Equity	\$3,694	45.7%	42%	20-60%	Yes
Equity Hedge Funds	\$664	8.2%	10%	5-15%	Yes
Absolute Return Hedge Funds	1,057	13.1	15%	10-20	Yes
Total Hedge Funds	\$1,721	21.3%	25%	5-25%	Yes
Private Equity	\$677	8.4%	9%	0-10%	Yes
Venture Capital	117	1.4	6%	5-15	No
Total Private Capital	\$794	9.8%	15%	5-15%	Yes
Commodities	\$381	4.7%	3%	0-5%	Yes
Traditional Fixed Income	\$810	10.0%	10%	10-30%	Yes
TIPS	386	4.8	5%	0-10	Yes
Total Fixed Income	\$1,195	14.8%	15%	10-30%	Yes
Cash	\$302	3.7%	--	0-5%	Yes
Total Permanent University Fund	\$8,088	100.0%	100%		
Liquidity Requirement					Yes

- During the fourth fiscal quarter, the allocation to U.S. equity was reduced while the allocation to fixed income was increased. These moves brought the PUF's asset class allocations closer to their policy targets. However, the allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

As of August 31, 2004

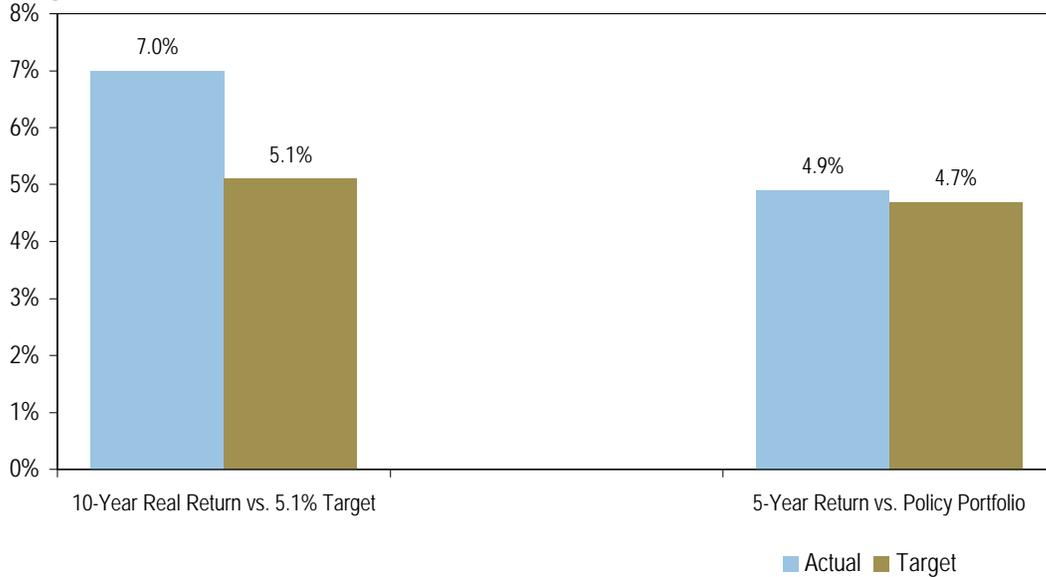
GEF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 8/31/04
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$904	21.5%	20%	15-45%	Yes
REITs	230	5.5	5%	0-10	Yes
U.S. Equity	\$1,134	27.0%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$691	16.4%	10%	5-15%	No
Emerging Markets Equity	95	2.3	7%	0-10	Yes
Global ex-U.S. Equity	\$786	18.7%	17%	5-25%	Yes
Total Traditional Equity	\$1,920	45.6%	42%	20-60%	Yes
Equity Hedge Funds	\$358	8.5%	10%	5-15%	Yes
Absolute Return Hedge Funds	573	13.6	15%	10-20	Yes
Total Hedge Funds	\$931	22.1%	25%	15-25%	Yes
Private Equity	\$343	8.2%	9%	0-10%	Yes
Venture Capital	74	1.8	6%	5-15	No
Total Private Capital	\$417	9.9%	15%	5-15%	Yes
Commodities	\$203	4.8%	3%	0-5%	Yes
Traditional Fixed Income	\$435	10.3%	10%	10-30%	Yes
TIPS	205	4.9	5%	0-10	Yes
Total Fixed Income	\$640	15.2%	15%	10-30%	Yes
Cash	\$96	2.3%	--	0-5%	Yes
Total General Endowment Fund	\$4,208		100%		
Liquidity Requirement					Yes

- During the fourth fiscal quarter, the allocation to U.S. Equity was reduced while the allocation to fixed income was increased. These moves brought the GEF's asset class allocations closer to their policy targets. However, the allocation to venture capital remained below the allowable minimum, and the allocation to non-U.S. developed equity exceeded the allowable maximum.

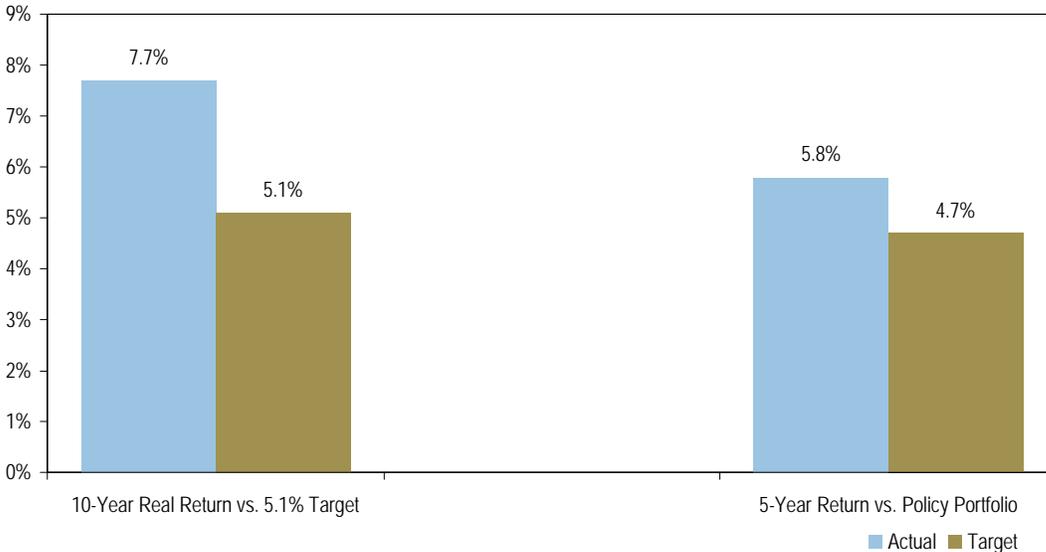
As of August 31, 2004

**Permanent University Fund
Analysis of Investment Objectives
Ending 8/31/04**



- The primary investment objective of the PUF and GEF is to preserve the purchasing power of their respective assets and annual distributions by earning an average annual real return of 5.1% over rolling ten-year periods or longer. The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. These objectives have been met over the periods analyzed.

**General Endowment Fund
Analysis of Investment Objectives
Ending 8/31/04**



- An additional objective of the GEF is to outperform the median fund in a universe of similar endowments. The LTF and the PHF (the two components of the GEF) have both produced returns above the median of a Cambridge universe of endowments over the three-year period ending June 30, 2004. Over the 5- and 10- year periods, the LTF has also achieved this goal.

As of August 31, 2004

Permanent University Fund**RETURN SUMMARY**

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
Permanent University Fund	0.7%	14.7%	6.0%	4.9%	9.4%	8/31/1991
Endowment Performance Benchmark ¹	1.4	15.8	6.9	4.7	10.9	
U.S. Equity	0.6	13.6	3.2	2.5	10.5	8/31/1991
U.S. Equity Performance Benchmark	1.1	14.9	3.3	-0.3	10.6	
Global Ex U.S. Equity	0.1	19.8	7.5	-1.2	5.9	3/31/1993
MSCI AC World Ex-U.S. Free Index	0.0	22.7	6.2	0.0	6.0	
Equity Hedge Funds	0.6	--	--	--	4.3	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	3.4	
Absolute Return Hedge Funds	1.0	13.1	9.6	--	12.2	2/29/2000
Absolute Return Benchmark	1.1	4.5	5.5	--	7.0	
Private Capital²	1.0	13.0	-3.6	2.4	9.7	1/31/1989
Private Capital Benchmark	2.3	26.8	9.6	5.0	16.1	
Commodities	-2.2	--	--	--	11.7	12/31/2003
Goldman Sachs Commodity Index - 1%	-1.5	--	--	--	16.0	
Total Fixed Income	2.9	9.5	7.7	7.8	9.0	8/31/1985
Fixed Income Benchmark	3.6	7.0	6.5	7.8	8.6	

- The Permanent University Fund underperformed the Endowment Performance Benchmark by 0.7 percentage points in the fiscal quarter ending August 31, 2004. Each asset class underperformed its respective benchmark, with the exception of global Ex U.S. equity, which modestly outperformed.
- One-year performance lagged the benchmark by 1.1 percentage points. U.S. equity, global ex U.S. equity, and private capital all underperformed, with private capital lagging significantly. Absolute return hedge funds and fixed income added value.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of August 31, 2004

General Endowment Fund**RETURN SUMMARY**

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
General Endowment Fund	0.7%	14.8%	6.4%	5.8%	10.0%	8/31/1991
Endowment Performance Benchmark ¹	1.4	15.8	6.9	4.7	10.9	
U.S. Equity	0.5	13.3	3.3	2.8	10.5	8/31/1991
U.S. Equity Performance Benchmark	1.1	14.9	3.3	-0.3	10.6	
Global Ex U.S. Equity	0.0	19.9	7.5	-0.5	5.2	3/31/1993
MSCI AC World Ex-U.S. Free Index	0.0	22.7	6.2	0.0	6.0	
Equity Hedge Funds	0.6	--	--	--	4.3	12/31/2003
90-Day T-Bill + 4%	1.3	--	--	--	3.4	
Absolute Return Hedge Funds	1.0	13.1	9.6	13.0	10.8	7/31/1998
Absolute Return Benchmark	1.1	4.5	5.5	7.2	7.6	
Private Capital²	0.4	12.1	-4.6	1.9	9.7	11/30/1986
Private Capital Benchmark	2.3	26.8	9.6	5.0	16.1	
Commodities	-2.2	--	--	--	11.8	12/31/2003
Goldman Sachs Commodity Index - 1%	-1.5	--	--	--	16.0	
Total Fixed Income	2.7	9.6	7.8	8.0	11.1	8/31/1981
Fixed Income Benchmark	3.6	7.0	6.5	7.8	10.5	

- The General Endowment Fund underperformed the Endowment Performance Benchmark by 0.7 percentage points in the fiscal quarter ending August 31, 2004. Each asset class underperformed its respective benchmark, with the exception of global ex U.S. equity, which approximated its benchmark.
- One-year performance lagged the benchmark by 1.0 percentage points. U.S. equity, global Ex U.S. equity, and private capital all underperformed, with private capital lagging significantly. Absolute return hedge funds and fixed income added value.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of August 31, 2004

Operating Funds

RETURN SUMMARY

ENDING 8/31/04

	Quarter Ending 8/31/2004	1 Year Ending 8/31/2004	3 Years Ending 8/31/2004	5 Years Ending 8/31/2004	Since Inception	Inception Date
Short Term Fund	0.3%	1.0%	1.6%	3.2%	4.2%	8/31/1992
ML 90-day T-Bill	0.3	1.1	1.6	3.2	4.1	
Short Intermediate Term Fund	1.2	2.5	2.6	4.5	5.1	2/28/1993
Performance Benchmark ¹	1.2	2.3	3.8	5.3	5.4	
BGI U.S. Debt Index Fund	3.5	6.1	6.3	7.7	7.2	5/31/1999
LB Aggregate Bond Index	3.5	6.1	6.2	7.7	7.1	
BGI Equity Index Fund	-1.0	11.5	0.8	-2.0	-1.6	5/31/1999
S&P 500 Index	-1.0	11.4	0.8	-2.1	-1.6	

- The Short Term Fund approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Term Fund approximated the return of the Index during the fiscal quarter, and outperformed over the trailing one-year period. Longer term performance is below-benchmark.
- The BGI U.S. Debt Index approximated the performance of the benchmark during the periods shown above. Participants investing in the BGI U.S. Debt Index liquidated their positions during April of 2004.
- The BGI Equity Index Fund approximated the performance of its benchmark during the periods shown above.

¹Returns for this benchmark from inception through July 31, 2004 have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite. Beginning August 1, 2004 returns are those of the Merrill Lynch 1-3 Year Treasury Index.

5. **U. T. Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Liquidity Policy**

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed changes to the UTIMCO Liquidity Policy as set out in congressional style on Pages 20.1 - 20.5 and as referenced in the Background Information of this item.

BACKGROUND INFORMATION

The proposed amendments to the Liquidity Policy were approved by the UTIMCO Board of Directors on September 29, 2004, and are recommended for approval by the U. T. Board with the following comments:

- The UTIMCO Board advises that the purpose of the Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and General Endowment Fund (GEF).
- The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. Board of Regents.
- The Liquidity Policy is being amended to
 - Clarify that swaps, derivatives, or other third party arrangements may alter an investment's liquidity status rather than create liquidity;
 - Clarify the responsibility that the Liquidity Committee has in reviewing new investments made in the 20% to 30% trigger zone. The Liquidity Committee will supplement, rather than replace, the procedures the UTIMCO Board has in place for the approval of new investments.
 - Require certification of the accuracy of the monthly liquidity reports by each managing director, risk manager, chief compliance officer, and president
 - Clarify that either the UTIMCO Board or the Liquidity Committee may review and approve certain actions
 - Propose revised charts reporting liquidity to clarify the range for the liquid investments

- Include minor editorial changes such as correction to the dates of establishment and approval.

The proposed UTIMCO Liquidity Policy has been reviewed by U. T. System staff. The Liquidity Policy was first approved by the U. T. Board on August 7, 2003, and was amended on December 19, 2003.

The University of Texas Investment Management Company

Liquidity Policy

Original Effective Date of Policy: August 7, 2003~~December 19, 2003~~

Original Date Approved by UTIMCO Board: June 26, 2003~~December 4, 2003~~

Dates revised by UTIMCO Board: September 29, 2004 and December 4, 2003

Purpose:

The purpose of ~~the~~this Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter referred to as the Funds. For the purposes of this policy, “liquidity” is defined as a measure of the ability of an investment position to be converted into a cash position. The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policies ~~adopted~~established by The University of Texas Investment Management Company (UTIMCO) Board and approved by the U. T. Board of Regents.

Objective:

The objective of ~~the~~this Liquidity Policy is to control the element of total risk exposure of the Funds stemming from the uncertainties associated with the ability to convert longer term investments to cash to meet immediate needs or to change investment strategy, and ~~to~~ the potential cost of that conversion. ~~This element of total risk is referred to as “Liquidity Risk” in this Policy.~~

Scope:

This Liquidity Policy applies to all PUF and GEF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

“Liquidity Risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to cash (or cash equivalents). Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Liquidity Risk Measurement-The Liquidity Profile:

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be ~~defined and~~ monitored by measuring the aggregate liquidity profile of the Funds. All individual investments within the Funds will be segregated into two categories:

- **Liquid:** Investments that could be converted to cash within a period of one day to three months in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%.

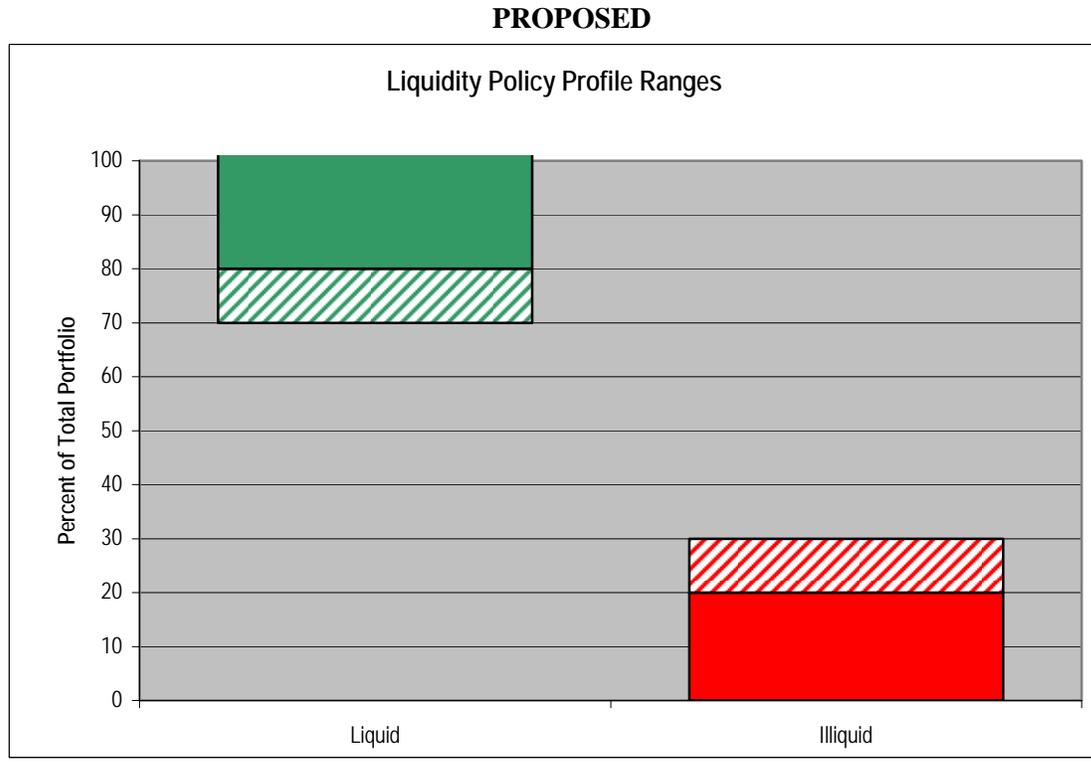
The measurements necessary to segregate all investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid create liquidity may be considered, with the approval of the UTIMCO Board or the Liquidity Committee, in determining the appropriate liquidity category for each investment. ~~upon approval of the UTIMCO Board or Board designated subcommittee.~~

The University of Texas Investment Management Company Liquidity Policy

The result of this liquidity risk measurement process will be a liquidity profile for the Funds which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies “trigger zones” requiring special review by UTIMCO staff and Board, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

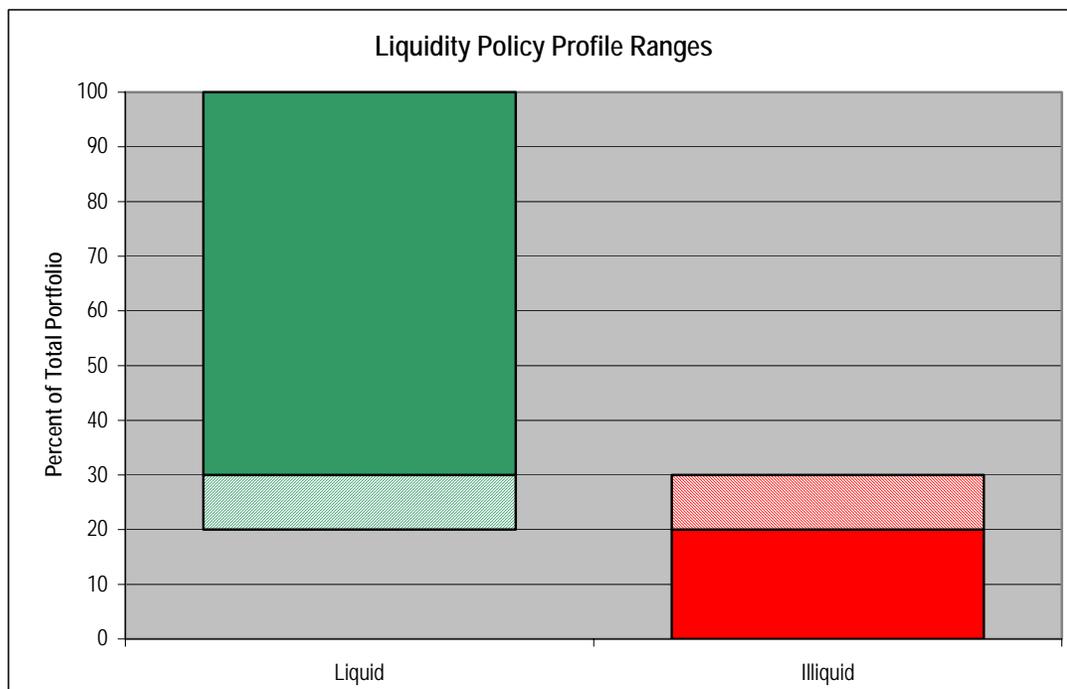
The current Liquidity Policy Profile ranges and trigger zones are defined by the chart below:



The University of Texas Investment Management Company

Liquidity Policy

CURRENT



The green bar indicates the Policy range for investments categorized as “Liquid” by the definition presented earlier. The red bar indicates the Policy range for investments categorized as “Illiquid” by earlier definition. The shaded sections of the green and red bars indicate trigger zones requiring special action by the UTIMCO Board or the Liquidity Committee or Board designated subcommittee. For example, the allowable range for “Illiquid” investments is 0% to 30% of the total portfolio, however, any investments made in the 20% to 30% range of total portfolio assets require special prior approval by the UTIMCO Board or subcommittee. For example, the allowable range for illiquid investments is 0% to 30% of the total portfolio. However, any illiquid investments made in the 20% to 30% trigger zone requires prior approval by the Liquidity Committee or the UTIMCO Board. Liquidity Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that class. These classifications will be reviewed by the Risk Manager and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. The monthly liquidity reports will include certification by each Managing Director, the Risk Manager, the Chief Compliance Officer, and the President of UTIMCO, that all investments are properly categorized and reported. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity of the addition of the new investment must be an element of the due diligence process and will be a part of all the recommendation reports to the UTIMCO Board.

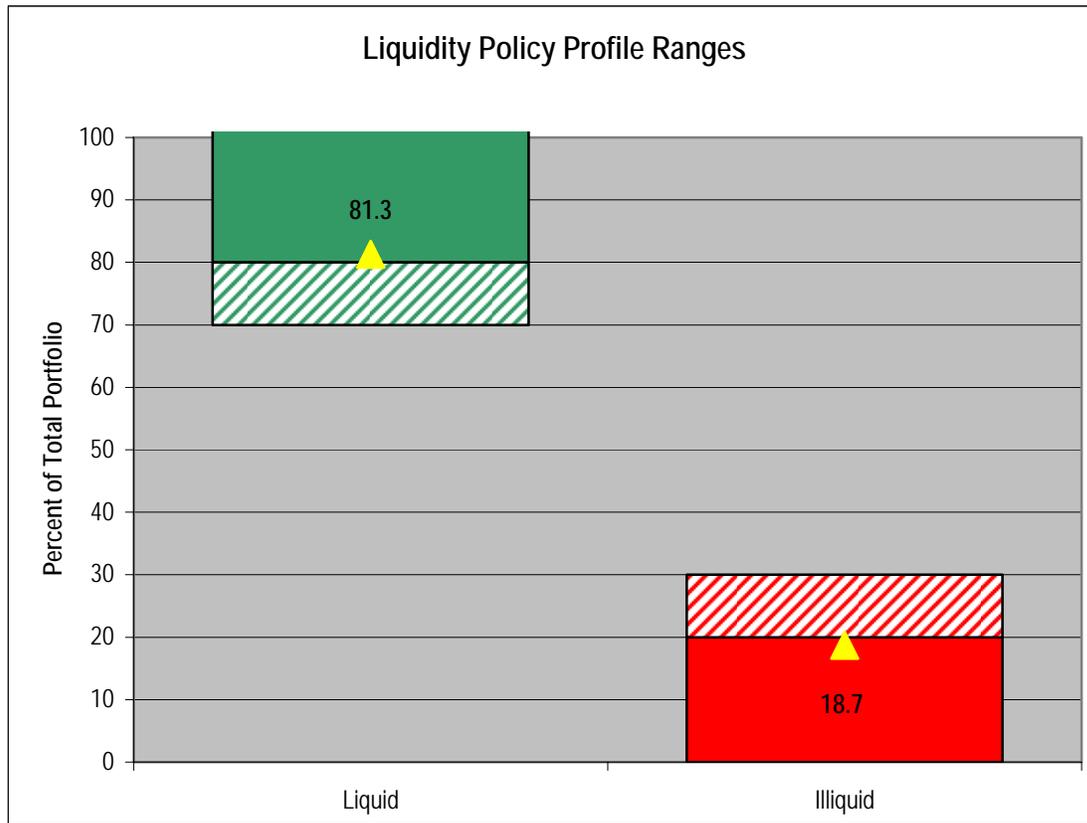
The University of Texas Investment Management Company Liquidity Policy

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Liquidity Committee in the event any investment action would cause ~~any liquidity measure~~ the actual investment position in illiquid investments to enter ~~any of the~~ designated trigger zones, or in the event market actions caused ~~measures~~ the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would ~~change any single liquidity category percentage~~ increase the actual investment position in illiquid investments in either the PUF or the GEF by 10% or more of the total asset value of either Fund would also require ~~UTIMCO Board~~ review and action by the UTIMCO Board or the Liquidity Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Liquidity Committee the circumstances of the deviation from Policy and the remedy to the situation.

Reporting:

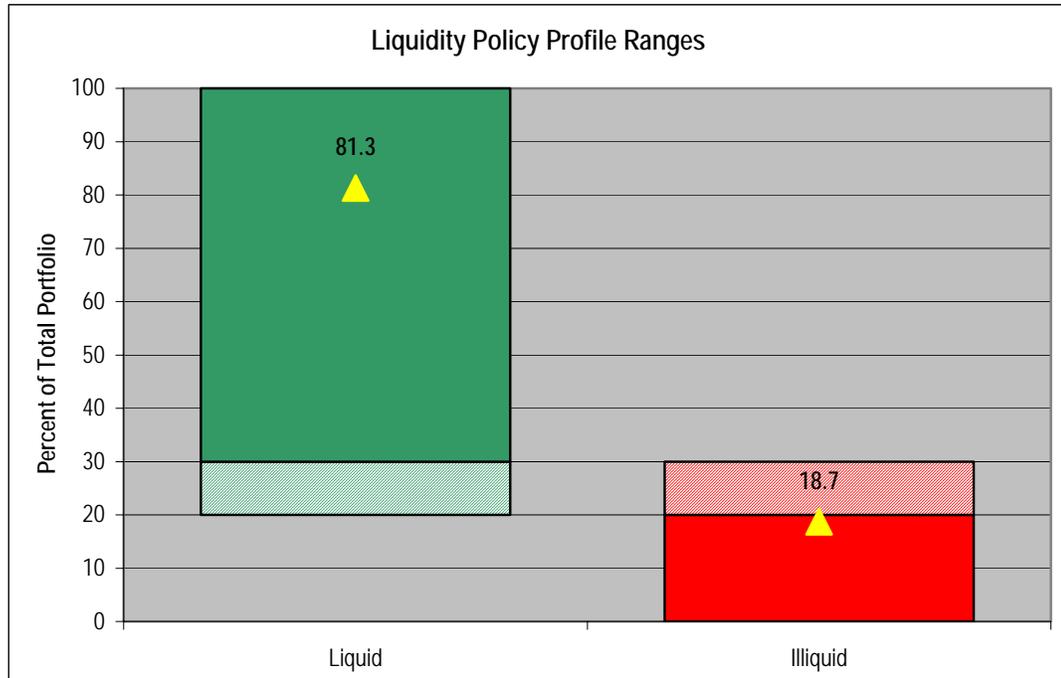
The actual Liquidity Profile of the Funds and compliance with ~~the~~ this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to ~~the~~ this Liquidity Policy and actions taken to remedy the exception will be reported promptly. An example of the method of reporting is shown below where the yellow points and number labels indicate current actual exposure levels within each Liquidity Policy Range (numbers shown are examples only). For example, in this illustration the current exposure to “~~L~~iquid” investments is 81.3%, while exposure to “~~i~~lliquid” investments is 18.7% and both are within their respective allowable policy ranges and not in defined trigger zones.

PROPOSED



The University of Texas Investment Management Company
Liquidity Policy

CURRENT



**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
DOCKET NO. 119**

October 13, 2004

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

Woody L. Hunt, Chairman
John W. Barnhill, Jr.
H. Scott Caven, Jr.
Cyndi Taylor Krier
Robert B. Rowling

The Docket for The University of Texas System Administration and the Dockets recommended by the Presidents concerned and prepared by the institutions listed below are submitted for approval as appropriate at the meeting of the U. T. Board of Regents on November 5, 2004. The Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel, and I concur in these recommendations.

<u>Institutions</u>	<u>Pages</u>
The University of Texas System Administration	Docket 1 - 3
The University of Texas at Arlington	Docket 4 - 6
The University of Texas at Austin	Docket 7 - 12
The University of Texas at Dallas	Docket 13 - 17
The University of Texas at El Paso	Docket 18 - 21
The University of Texas - Pan American	Docket 22 - 24
The University of Texas of the Permian Basin	Docket 25 - 26
The University of Texas at San Antonio	Docket 27 - 28
The University of Texas Southwestern Medical Center at Dallas	Docket 29 - 36
The University of Texas Medical Branch at Galveston	Docket 37 - 46
The University of Texas Health Science Center at Houston	Docket 47 - 49
The University of Texas Health Science Center at San Antonio	Docket 50
The University of Texas M. D. Anderson Cancer Center	Docket 51 - 54
The University of Texas Health Center at Tyler	Docket 55

Mark G. Yudof
Chancellor

xc: Other Members of
the Board

TABLE OF CONTENTS

U. T. System Administration	1
Contracts	1
General Contracts.....	1
Appointment, Reappointment, Or Promotion Of Relatives	2
Real Estate Report	3
U. T. Arlington	4
Changes To Admission Criteria	4
Amendments To The 2004-05 Budget.....	5
Appointments And Promotions	5
Amendments To The 2003-04 Budget.....	6
Transfers Of Funds	6
U. T. Austin	7
Gifts	7
Contracts	8
General Contracts.....	8
Amendments To The 2004-05 Budget.....	9
Appointments And Promotions	9
Amendments To The 2003-04 Budget.....	11
Transfers Of Funds	11
U. T. Dallas	13
Contracts	13
General Contracts.....	13
Amendments To The 2004-05 Budget.....	14
Appointments And Promotions	14
Amendments To The 2003-04 Budget.....	15
Appointments And Promotions	15
Transfers Of Funds	16
Other Fiscal Items	17
Employment Agreements.....	17
U. T. El Paso	18
Gifts	18
Contracts	19
General Contracts.....	19
Amendments To The 2003-04 Budget.....	20
Appointments And Promotions	20

U. T. Pan American	22
Amendments To The 2004-2005 Budget.....	22
Appointments And Promotions	22
Other Fiscal Items	23
Employment Agreements.....	23
U. T. Permian Basin	25
Amendments To The 2004-05 Budget.....	25
Appointments And Promotions	25
Appointment, Reappointment, Or Promotion Of Relatives	26
U. T. San Antonio	27
New Tenure Appointments And Promotions Within Tenure Ranks	27
U. T. Southwestern Medical Center - Dallas	29
Gifts	29
Contracts	30
General Contracts.....	30
Amendments To The 2003-04 Budget.....	32
Appointments And Promotions	32
U. T. Medical Branch - Galveston	37
Gifts	37
Contracts	38
General Contracts.....	38
Amendments To The 2004-05 Budget.....	40
Appointments And Promotions	40
Amendments To The 2003-04 Budget.....	43
Appointments And Promotions	43
Other Fiscal Items	46
Membership Rates.....	46
U. T. Health Science Center - Houston	47
Amendments To The 2003-04 Budget.....	47
Appointments And Promotions	47
Other Matters	49
Approval Of Dual Positions Of Honor, Trust, Or Profit	49
U. T. Health Science Center - San Antonio	50
Gifts	50

U. T. M. D. Anderson Cancer Center	51
Gifts	51
Amendments To The 2003-04 Budget.....	52
Appointments And Promotions	52
U. T. Health Center - Tyler	55
Contracts	55
General Contracts.....	55

U. T. SYSTEM ADMINISTRATION

CONTRACTS

The following contract has been awarded, has been administratively approved by the Executive Vice Chancellor for Business Affairs and is recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Stericycle, Inc.
Funds: Potentially \$2,250,000
Period: September 1, 2004 through May 31, 2009
Description: Upon request, Stericycle, Inc. provides for transportation and disposal of medical waste for institutions on a nonexclusive basis. Stericycle, Inc. was selected from five bidders: Med Waste Services of America, LLC from Bellaire, Texas; Enviroclean Management Services, Inc. from Dallas, Texas; Stericycle, Inc. from Conroe, Texas; Positive Impact Waste Solutions, Inc. from Odessa, Texas; and U. S. Med-Disposal, Inc. from Athens, Texas, following a competitive bid process.

2. Agency: JPMorgan Securities, Inc. (JPMorgan)
Funds: Approximately \$836,000
Period: Effective upon approval
Description: JPMorgan has been selected to underwrite the issuance of the Revenue Financing System Bonds, Series 2004D pursuant to the 14th Supplemental Resolution authorized by the Board of Regents on August 12, 2004. JPMorgan was selected from a group of 23 firms that responded to a Request for Information. During 2004, only the top six respondents were selected to serve as senior manager of an underwriting syndicate. On behalf of the underwriting syndicate, JP Morgan is expected to purchase the Series 2004D Bonds from the Board less an underwriting discount. The underwriter's spread per \$1,000 of bonds will not exceed \$4.75. The principal amount of the Series 2004D Bonds and the underwriting discount will be determined at the time of pricing and allocated among members of the underwriting syndicate based on practices of the bond market.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel action involving the appointment, reappointment, or promotion of relatives has been administratively approved by the Chancellor. This personnel action is consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

REAPPOINTMENT

Office of the Chancellor
Chancellor
Mark G. Yudof

RELATIVE

Office of the Chancellor
Special Associate for Outreach
Judy Yudof (spouse)*

* Mrs. Yudof is not listed in the budget as her service is without compensation.

REAL ESTATE REPORT

THE UNIVERSITY OF TEXAS SYSTEM REAL ESTATE ASSETS

Managed by U. T. System Real Estate Office

Summary Report at August 31, 2004

FUND TYPE

	Current Purpose Restricted		Endowment & Similar Funds		Annuity & Life Income Funds		TOTAL	
	Book	Market	Book	Market	Book	Market	Book	Market
Land & Buildings:								
Ending Value 5/31/04	\$ 5,355,013	\$ 23,188,538	\$ 24,744,921	\$ 202,943,096	\$ 1,249,644	\$ 858,515	\$ 31,349,578	\$ 226,990,149
Increase or Decrease	0	(40,000)	0	291,058	(576,000)	(260,000)	(576,000)	(8,942)
Ending Value 8/31/04	\$ 5,355,013	\$ 23,148,538	\$ 24,744,921	\$ 203,234,154	\$ 673,644	\$ 598,515	\$ 30,773,578	\$ 226,981,207
Other Real Estate:								
Ending Value 5/31/04	\$ 131,877	\$ 131,877	\$ 340,015	\$ 340,015	\$ 0	\$ 0	\$ 471,892	\$ 471,892
Increase or Decrease	(622)	(622)	(10,639)	(10,639)	0	0	(11,261)	(11,261)
Ending Value 8/31/04	\$ 131,255	\$ 131,255	\$ 329,376	\$ 329,376	\$ 0	\$ 0	\$ 460,631	\$ 460,631

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

Details of individual assets by account furnished on request.

U. T. ARLINGTON

CHANGES TO ADMISSION CRITERIA

The following listing summarizes the changes proposed to admission criteria to be included in the Graduate Catalog of The University of Texas at Arlington. The changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

Summary of Changes to Graduate Admission Criteria

Addition: Admission Policy in compliance with Texas Education Code Section 51.801 et seq. This policy describes the requirements for entrance and selection factors used in the selection of students at The University of Texas at Arlington.

The University of Texas at Arlington proposes modifying the requirement for admission to a doctoral program. In the U. T. Arlington Graduate Catalog, this requirement currently reads as follows:

“To be admitted to a doctoral program, an applicant must have completed a master's degree or at least 30 semester credit hours of graduate coursework.”

It is proposed to allow students holding only a baccalaureate degree to be admitted to a doctoral program at U. T. Arlington:

“To be admitted to a doctoral program, an applicant must have completed a bachelor's degree from a regionally accredited institution in the United States or provide proof of equivalent training from a foreign institution. Some departments, programs, or schools may require additional academic information.”

The University is seeking this policy change because applicants (particularly from science and engineering) are often confused about the current language describing the doctoral entrance requirements. Moreover, a survey of admission policies concluded that current policy is out of alignment with the policy of the majority of public universities in Texas and with many other U. S. institutions.

If approved, baccalaureate-level students admitted to a doctoral program at U. T. Arlington will continue to be classified in university reporting as master's students for purposes of formula funding until they earn a master's degree or have accumulated 30 semester hours of graduate level work. Hours against the 99 doctoral hour cap will not begin to accumulate until the student has been reclassified as a doctoral student for formula funding purposes. Thus, this policy change only clarifies who is eligible to apply for doctoral degree programs, degree track classification and does not change their funding status.

AMENDMENTS TO THE 2004-05 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF BUSINESS ADMINISTRATION Professor and Eunice and James L. West Chair of Private Enterprise and Entrepreneurship					
1. Deepak K. Datta (T)	9/1-5/31	100	09	120,000	211
	9/1-5/31	SUPLT	09	55,000	

AMENDMENTS TO THE 2003-04 BUDGET

TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
VICE PRESIDENT FOR FINANCE AND ADMINISTRATION		
1. Amount of Transfer:	2,837,212	87

From: VPFA – Institutional Projects

To: VPFA – Designated Tuition

To transfer balance in preparation of debt service payoff.

U. T. AUSTIN

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: McCombs Foundation Inc.
College/School/ Department: School of Business
Purpose: Payment on a \$50 million pledge
Asset Type: Cash
Value: \$6,000,000

CONTRACTS

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS COMING IN

1. Agency: Texas Department of Family and Protective Services
Funds: \$1,939,560
Period: September 1, 2004 through August 31, 2005
Description: Amendment extending the time period the School of Social Work will provide training certification and program support through its Protective Services Training Institute.

FUNDS GOING OUT

2. Agency: Austin Energy
Funds: Approximately \$4.5 million annually
Period: Beginning 30 days after signed by U. T. Austin through December 31, 2013
Description: U. T. Austin, as lessor for Sematech, Inc., will participate in Austin Energy's GreenChoice program.

AMENDMENTS TO THE 2004-05 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>No. Mos.</u>	<u>Full-time Salary Rate \$</u>	<u>RBC #</u>
COLLEGE OF EDUCATION					
Educational Administration					
Associate Professor					
1. Patricia A. Somers (T)	9/1-5/31	100	09	75,000	142
COLLEGE OF FINE ARTS					
Art and Art History					
Linda and David Schele Chair in the Art and Writing of MesoAmerica and Professor					
2. David B. Stuart (T)	9/1-5/31	100	09	100,000	143
	9/1-5/31	SUPLT	09	20,000	
Professor					
3. Paul E. Bolin (T)	9/1-5/31	100	09	65,000	146
Music					
Associate Professor					
4. Marianne Gedigian (T)	9/1-5/31	100	09	70,000	149
SCHOOL OF LAW					
Hayden W. Head Regents Chair for Faculty Excellence and Professor					
5. Bernard S. Black (T)	9/1-5/31	100	09	206,111	151
	9/1-5/31	SUPLT	09	10,000	

AMENDMENTS TO THE 2004-05 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF LIBERAL ARTS					
Geography					
Professor					
6. Leo E. Zonn (T)	9/1-5/31	100	09	110,000	194
History					
Professor					
7. Ann Twinam (T)	9/1-5/31	100	09	117,500	152
Philosophy					
Professor					
8. George Bealer (T)	9/1-5/31	100	09	150,000	153
Spanish and Portuguese					
Associate Professor					
9. J. Arroyo Martinez (T)	1/16-5/31	100	09	65,000	195
COLLEGE OF NATURAL SCIENCES					
Geological Sciences and Institute for Geophysics					
10. Mrinal K. Sen (T)					197
From:	Lecturer and				
	Senior Research Scientist	0	09	87,218	
	Institute for Geophysics	100	12	116,291	
	Geology Foundation	SUPLT	12	7,543	
To:	Professor and Research				
	Professor	50	09	93,300	
	Institute for Geophysics	50	09	93,300	
	Geology Foundation	SUPLT	12	12,712	

AMENDMENTS TO THE 2003-04 BUDGET

TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
SERVICE DEPARTMENTS FUNDS		
General Libraries		
1. Amount of Transfer:	3,897,388	145
From: Library Resource Sharing Project Operating Income		
To: Library Resource Sharing Project Books		
Transfer resource fee service charge income to expense account for payment of an invoice from Science Direct for a database to which all participating U. T. schools have access.		
Information Technology Services		
2. Amount of Transfer:	875,000	143
From: U. T. System Office of Telecommunication Services Operating Income		
To: U. T. System Office of Telecommunication Services Maintenance, Operation, and Equipment		
Transfer network fee income to expense account for payment of invoice to National LamdaRail Inc., who will manage development of a fiber-optic network.		
AUXILIARY ENTERPRISES FUNDS		
Intercollegiate Athletics		
3. Amount of Transfer:	1,500,000	137
From: Intercollegiate Athletics for Men Operating Income	1,500,000	
To: Intercollegiate Athletics for Men		
Wages	500,000	
Other Expenses	750,000	
Travel	250,000	

Adjust 2003-04 budget for actual revenues in excess of amount originally budgeted to cover and fund additional expenditures incurred.

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
AUXILIARY ENTERPRISES FUNDS (Continued)		
Intercollegiate Athletics		
4. Amount of Transfer:	1,000,000	146
From: Intercollegiate Athletics for Men Operating Income		
To: Intercollegiate Athletics for Men Other Expenses		

Adjust annual budget for actual revenues in excess of amount originally budgeted to cover and fund additional expenditures incurred.

PLANT FUNDS

Texas Union

5. Amount of Transfer:	500,000	130
From: Texas Union Auxiliary Services Operating Income		
To: Texas Union – Fire Alert Systems All Expenses		

This transfer is to establish an account to fund the first phase of mandated fire protection and life safety improvements to the Texas Union as identified by the report produced by Schirmer Engineering Corporation for the University.

Kinsolving Dormitory

6. Amount of Transfer:	500,000	129
From: Housing & Food General Repair/Replacement Allocation for Budget Adjustment		
To: Physical Plant – KIN – Reconfigure Lobby & Computer Lab – All Expenses		

Supplemental funding to cover job costs, including contingency costs, for the reconfiguration of the lobby and computer laboratory in Kinsolving Dormitory.

U. T. DALLAS

CONTRACTS

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: General Land Office (GLO)
Funds: \$1,800,000
Period: September 1, 2003 through August 31, 2005
Description: GLO agrees to sell, and U. T. Dallas agrees to buy, the natural gas requirements of the University.

AMENDMENTS TO THE 2004-05 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF ARTS & HUMANITIES					
Art & Aesthetic Studies					
Professor					
Margaret McDermott					
Distinguished Chair					
1. Richard R. Bretell (T)	9/1-5/31	100	09	73,000	233

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF BEHAVIORAL AND BRAIN SCIENCES					
Speech Pathology					
Professor					
1. Anne E. Van Kleeck (T)	7/1-8/31	100	09	95,000	17
SCHOOL OF MANAGEMENT					
Accounting					
Ashbel Smith Professor					
2. Ashiq Ali (T)	7/1-8/31	100	09	180,000	19
3. William M. Cready (T)	7/1-8/31	100	09	180,000	15

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
VARIOUS SOURCES		
4. Amount of Transfer:	1,787,000	20
From: Unallocated – Physical Plant	140,000	
Unallocated – Building Maintenance	110,000	
Unallocated – Other Utilities	100,000	
Unallocated – Institutional Programs	50,307	
Deferred Maintenance	100,000	
Repairs and Rehabilitation of Buildings	100,000	
E & G – Unexpended Budgets	819,000	
Designated – Unexpended Budgets	105,000	
Campus Equipment	100,000	
Purchased Utilities	100,000	
Auxiliary – Activity Center	26,374	
Auxiliary – Student Union	32,014	
Auxiliary – Food Service	4,305	

To: Electrical Outage (775266)

U. T. Dallas experienced power outages on 8/12/04 to twelve key buildings housing classrooms, research labs, and student services. Sixteen emergency generators were rushed to campus. Both underground electric feeder cables that run the length of the campus and supply electricity to these twelve buildings required replacement, as well as some associated equipment. The project was completed on 9/1/04 after campus power shutdowns nightly and over the weekends for the three-week period.

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents. Such employment under this agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Dallas is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas at Dallas. The violation of the provisions of such constitution, bylaws, rules or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Volleyball Coach
Funds: \$39,140 annually
Period: September 1, 2004 through August 31, 2005
Description: Agreement for employment of Head Volleyball Coach, Marci Sanders, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

U. T. EL PASO

GIFTS

The following gift has been received, has been administratively approved by the President or her delegate, and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: Gerald J. and Stanlee N. Rubin
College/School/ Department: Institution
Purpose: Renovation of Seamon Hall to house the Stanlee and Gerald Rubin Center for Visual Arts
Asset Type: Cash
Value: \$1,000,000

CONTRACTS

The following contract has been administratively approved by the President or her delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS COMING IN

1. Agency: The Pepsi Bottling Group
Funds: \$3,435,000
Period: September 1, 2004 through August 31, 2011
Description: The Pepsi Bottling Group agrees to furnish and provide beverage services to the University including concessionaires, food service contractors, and vending machines on the campus. The vendor was selected from two respondents: Magnolia Coca-Cola Bottling Company, El Paso, Texas, and Pepsi Bottling Group, Phoenix, Arizona, following a competitive bid process.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF BUSINESS ADMINISTRATION					
Accounting					
1. Gary J. Mann (T)					156
From: Professor, Chair		100	09	97,000	
El Paso Community	SUPLT	09	2,000		
Professorship in Accounting		SUPLT	09	3,825	
To: Office of the Dean –					
Interim Dean	7/1-8/31	100	12	152,000	
Professor and	7/1-8/31	0	09	97,000	
El Paso Community					
Professorship in					
Accounting	7/1-8/31	SUPLT	09	3,825	
COLLEGE OF ENGINEERING					
Electrical Engineering					
2. Gregory B. Lush (T)					174
From: Professor		100	09	77,108	
To: Graduate School –					
Associate Dean and	6/1-8/31	33	12	116,000	
Professor	6/1-8/31	67	09	85,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF ENGINEERING (Continued)					
Metallurgical and Materials Engineering					
3. Walter W. Fisher (T)					159
From: Professor		100	09	81,596	
To: Office of the Dean –					
Associate Dean and	4/1-8/31	50	12	120,043	
Professor	4/1-8/31	50	09	90,033	
COLLEGE OF SCIENCE					
Mathematical Science					
4. Nancy C. Marcus (T)					205
From: Associate Professor		100	09	57,931	
To: Office of the Dean –					
Associate Dean and	6/1-8/31	50	12	79,241	
Professor	6/1-8/31	50	09	57,931	
VICE PRESIDENT FOR ACADEMIC AFFAIRS					
5. Pablo Arenaz (T)					175
From: Associate Vice President		100	12	103,000	
Biological Sciences –		0	09	79,211	
Professor					
To: Associate Vice President,	8/1-8/31	100	12	125,000	
Interim Vice President, and	8/1-8/31	SUPLT	12	15,000	
Professor	6/1-8/31	0	09	79,211	

U. T. PAN AMERICAN
AMENDMENTS TO THE 2004-2005 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF SOCIAL AND BEHAVIORAL SCIENCES					
1. Jose R. Hinojosa					144
From: Associate Professor (T)		50	09	61,868	
To: Professor Emeritus	09/01-08/31	0	12	0	
COLLEGE OF BUSINESS ADMINISTRATION					
2. Rubik Atamian (T)					212
From: Associate Professor		100	09	71,556	
To: Associate Professor	09/01-08/31	100	09	74,056	

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreements have been awarded, have been approved by the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas – Pan American is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas – Pan American. The violation of the provisions of such constitution, bylaws, rules or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Men's Head Golf Coach
Funds: \$31,000 annually
Period: July 1, 2004 through June 30, 2005
Description: Agreement for employment of Men's Head Golf Coach, Andrew Scott, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

2. Item: Head Men's/Women's Track and Cross Country Coach
Funds: \$42,848 annually
Period: July 1, 2004 through June 30, 2005
Description: Agreement for employment of Head Men's/Women's Track and Cross Country Coach, Ricky Vaughn, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

EMPLOYMENT AGREEMENTS (CONTINUED)

3. Item: Head Men's Baseball Coach
- Funds: \$50,000
- Period: July 1, 2004 through June 30, 2005
- Description: Agreement for employment of Head Men's Baseball Coach, Willie Gawlik, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.
4. Item: Women's Head Golf Coach
- Funds: \$31,209
- Period: July 1, 2004 through June 30, 2005
- Description: Agreement for employment of Head Women's Golf Coach, Barbara Odale, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

U. T. PERMIAN BASIN

AMENDMENTS TO THE 2004-05 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF BUSINESS					
1. Corbett Gauden (T)					136
From: Professor		100	09	82,222	
To: Professor and Graduate Coordinator	9/1-8/31	75 25	09 12	82,222 109,630	
COLLEGE OF ARTS & SCIENCES					
2. Lois S. Hale (T)					137
From: Professor and Assistant Dean		75 25	09 12	48,002 21,334	
To: Interim Dean	9/1-8/31	100	12	95,000	
JOHN BEN SHEPPERD PUBLIC LEADERSHIP INSTITUTE					
Director					
3. Jack D. Ladd (T)	9/1-8/31	100	12	120,000	138
COLLEGE OF ARTS & SCIENCES					
4. Richard D. Spence (T)					139
From: Associate Professor		100	09	47,126	
To: Associate Professor and Interim Assistant Dean	9/1-8/31	75 25	09 12	54,777 73,036	

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

PROPOSED REAPPOINTMENT

RELATIVE

1. College of Arts & Sciences
Interim Dean
Lois S. Hale

College of Arts & Sciences
Math and Science Professor
REACH Director
Douglas Hale (spouse)

2. Academic Affairs
Vice President
William R. Fannin

Behavioral Science
Student Tutor & Grader
Valerie F. Fannin (spouse)

U. T. SAN ANTONIO

NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
College of Business		
Office of the Dean		
Bruce Bublitz	Dean (T)	Associate Provost (T)
Lynda de la Vina	New	Interim Dean and Professor (T)
College of Education and Human Development		
Counseling, Educational Psychology & Higher Education		
Gerald Juhnke	New	Professor (T)
Thelma Duffey	New	Associate Professor (T)
Interdisciplinary Studies & Curriculum and Instruction		
Christine Moseley	New	Associate Professor (T)
Priscilla Pate	New	Associate Professor (T)
Office of the Dean		
Betty Merchant	Associate Professor (T)	Interim Dean (T)
College of Engineering		
Mechanical Engineering & Biomechanics		
Tachung Yih	New	Chair and Professor (T)
College of Fine Arts & Humanities		
Anthropology		
Benjamin Blount	New	Professor (T)
Modern Languages & Literatures		
Francisco Marcos-Marín	New	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
College of Fine Arts & Humanities (continued)		
Office of the Dean Daniel Gelo	Interim Dean (T)	Dean (T)
College of Sciences		
Biology Deborah Armstrong	Interim Dean (T)	Professor (T)
Graduate School		
Dorothy Flannagan	Interim Dean (T)	Dean (T)
School of Architecture		
Marc Giaccardo	New	Associate Professor (T)

U. T. SOUTHWESTERN MEDICAL CENTER - DALLAS

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents:

1. Donor Name: The Cain Foundation
College/School/ Department: Institution
Purpose: To support research activities on mobility disorders for the Spinal Cord Injury Clinical Research Center
Asset Type: Cash
Value: \$500,000

2. Donor Name: Roche Laboratories, Inc.
College/School/ Department: Continuing Education
Purpose: To support the continuing education activity entitled, "Research Rounds XIX," held July 30 – August 3, 2004
Asset Type: Cash
Value: \$1,462,588

3. Donor Name: St. Paul Fund for Advanced Heart & Lung Disease
College/School/ Department: Cardiovascular and Thoracic Surgery
Purpose: To support the expansion of the Heart, Lung and Vascular Service Line at St. Paul University Hospital
Asset Type: Cash
Value: \$1,200,000

4. Donor Name: William A. and Elizabeth B. Moncrief Foundation
College/School/ Department: Radiation Oncology
Purpose: Construction of the Moncrief Radiation Oncology Center
Asset Type: Cash
Value: \$3,750,000 (represents the third installment on a total commitment of \$7,500,000)

CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Aztec Facility Management
Funds: Approximately \$2,112,090 annually based on services provided
Period: September 1, 2001 with annual extensions through August 31, 2006
Description: Aztec Facility Management agrees to provide custodial housekeeping services on the campus. A Request for Proposal was issued June 2001. The vendor was selected from thirteen respondents: Aztec Facility Management from Houston, Texas; Tecom, Inc. from Austin, Texas; Pritchard Industries Southwest, Inc. from Houston, Texas; BPA Building Services from Dallas, Texas; Vanguard Resources, Inc. from Grapevine, Texas; McLemore Building Maintenance, Inc. from Houston, Texas; Members Building Maintenance Corporation from Dallas, Texas; Onesource Facility Services, Inc. from Houston, Texas; Sanitor of Texas from Austin, Texas; Varsity Contractors from San Angelo, Texas; United Building Maintenance, Inc. from Dallas, Texas; Service Master from Longview, Texas; ABM Janitorial from Dallas, Texas.

CONTRACTS (CONTINUED)

GENERAL CONTRACTS (CONTINUED)

FUNDS GOING OUT (CONTINUED)

2. Agency: Medical Environment Development Corporation
Funds: Approximately \$2,068,798 annually based upon services provided
Period: September 1, 2000 with annual renewals through August 31, 2005
Description: Medical Environment Development Corporation agrees to provide construction labor on the campus. An Invitation to Bid was released July 2000. Medical Environment Development Corporation from Dallas, Texas was the only bidder and was selected following a competitive bid process. Twenty-one firms were informed of the Invitation to Bid, and only four firms attended the mandatory pre-award meeting.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL					
Center for Biostatistics and Clinical Science					
1. Milton Packer (T)	6/1-8/31	100	12	300,000	26
Director, Professor of Internal Medicine and the Gayle and Paul Stoffel Distinguished Chair in Cardiology					
Physiology					
2. Donald W. Hilgeman (T)					28
From: Professor		100	12	131,600	
To: Professor, Roy and Christine Sturgis Chair in Biomedical Research	8/1-8/31	100	12	131,600	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL (Continued)					
Pharmacology					
3. Alfred G. Gilman (T)					29
From: Professor, Chairman, Interim Dean of Southwestern Medical School and the Raymond and Ellen Willie Distinguished Chair in Molecular Neuro- pharmacology in Honor of Harold B. Crasilneck, Ph.D. Regental Professor		100	12	445,000	
To: Professor, Chairman, Interim Dean of Southwestern Medical School, Raymond and Ellen Willie Distinguished Chair in Molecular Neuro- pharmacology in Honor of Harold B. Crasilneck, Ph.D. Regental Professor and the Atticus James Gill, M.D. Chair in Medical Science	8/1-8/31	100	12	445,000	
Neurology					
4. Steven Vernino (T)	8/23-8/31	100	12	164,000	31
Associate Professor					
5. Ronald G. Haller (T)					32
From: Professor		100	12	162,800	
To: Professor, Mary Quincy Parsons and Kelsey Louise Wright Professorship in Mitochondrial Disease Research	8/1-8/31	100	12	162,800	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL (Continued)					
Radiology					
6. Craig R. Malloy (T)					33
From: Professor		100	12	262,100	
To: Professor, Richard A. Lange Chair in Cardiology	8/1-8/31	100	12	262,100	
7. Nancy K. Rollins (T)					34
From: Professor		100	12	410,800	
To: Professor and Charles Cameron Sprague, M.D. Chair in Medical Science	8/1-8/31	100	12	410,800	
INSTITUTIONAL SUPPORT					
Office of the Vice President for Clinical Operations					
8. John D. Rutherford (T)					35
From: Professor, Vice President, and Gail Griffiths Hill Chair in Cardiology		100	12	266,000	
To: Professor, Vice President, and Jonsson-Rogers Chair in Cardiology	8/1-8/31	100	12	266,000	
SOUTHWESTERN MEDICAL SCHOOL					
Internal Medicine					
9. Jonathan C. Cohen (T)					36
From: Associate Professor		100	12	95,200	
To: Associate Professor and C. Vincent Prothro Distinguished Chair in Human Nutrition Research	8/1-8/31	100	12	95,200	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL (Continued)					
Internal Medicine (Continued)					
10. Eugene P. Frenkel (T)					37
From: Professor and Raymond D. and Patsy R. Nasher Distinguished Chair in Cancer Research, in Honor of Eugene P. Frenkel, M.D. and the A. Kenneth Pye Professorship in Cancer Research		100	12	235,000	
To: Professor, Raymond D. and Patsy R. Nasher Distinguished Chair in Cancer Research, in Honor of Eugene P. Frenkel, M.D., A. Kenneth Pye Professorship in Cancer Research, and the Elaine Dewey Sammons Chair in Cancer Research in Honor of Eugene P. Frenkel, M.D.	8/1-8/31	100	12	235,000	
11. Ronald G. Victor (T)					38
From: Professor and Dallas Heart Ball Chair in Hypertension and Heart Disease		100	12	190,300	
To: Professor, Dallas Heart Ball Chair in Hypertension and Heart Disease, and the Norman and Audrey Kaplan Chair in Hypertension	8/1-8/31	100	12	190,300	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL (Continued)					
Psychiatry					
12. Robin B. Jarrett (T)					40
From: Professor		100	12	157,600	
To: Professor and Elizabeth H. Penn Professorship in Clinical Psychology	8/1-8/31	100	12	157,600	

U. T. MEDICAL BRANCH - GALVESTON

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents:

1. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment in full of the \$6,877,037 grant for the purchase of hospital equipment
Asset Type: Cash
Value: \$6,877,037

2. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment against the \$4,000,000 grant for the renovation of the Rebecca Sealy Hospital
Asset Type: Cash
Value: \$2,300,000

3. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment against the \$3,000,000 grant for the purchase of the Positron Emission Tomography Technology
Asset Type: Cash
Value: \$2,600,000

4. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment against the \$3,000,000 grant for the implementation of the Private Adult Community Practice (Harborside Medical Group)
Asset Type: Cash
Value: \$1,000,000

CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and are recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS COMING IN

1. Agency: Department of Assistive and Rehabilitation Services
Funds: \$1,329,872
Period: September 1, 2004 through August 31, 2005
Description: U. T. Medical Branch – Galveston will continue a program of early childhood intervention services for children with developmental delays in the approved service areas and respite services for families of children enrolled in early childhood intervention.

2. Agency: The Geo Group, Inc. (GEO)
Funds: \$4,131,921
Period: August 1, 2004 through February 28, 2009
Description: U. T. Medical Branch – Galveston will provide primary care services and required hospital services to inmates incarcerated in the North Texas Intermediate Sanction Facility located in Fort Worth, Texas operated by GEO.

3. Agency: The Gulf Coast Center
Funds: \$1,824,900
Period: September 1, 2004 through August 31, 2005
Description: U. T. Medical Branch – Galveston will provide regional community psychiatric hospital services for those individuals 18 years and older who reside in Galveston and Brazoria Counties and who are served by The Gulf Coast Center or who meet the admission criteria.

CONTRACTS (CONTINUED)

FUNDS GOING OUT

4. Agency: A-S 56 IH-45 South-FM 646, L. P.
Funds: \$2,628,800
Period: September 1, 2004 through August 31, 2014
Description: U. T. Medical Branch – Galveston will lease 9,920 square feet of office space located in League City, Texas for a women’s health care medical office to be operated by the Obstetrics and Gynecology Department.

AMENDMENTS TO THE 2004-05 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE					
Pediatric Cytogenetics					
1. Bobbye M. Rouse					204
From: Professor (T)		100	12	115,000	
To: Professor Emeritus	9/1-8/31	0	0	0	
Anatomy and Neurosciences; Obstetrics and Gynecology Research					
2. Chandrasekha Yallampalli (T)					134
From: Professor		100	12	207,788	
To: Obstetrics and Gynecology Distinguished Professorship in Research and Mentoring Excellence and Professor	9/1-8/31	100	12	207,788	

AMENDMENTS TO THE 2004-05 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE; GRADUATE SCHOOL OF BIOMEDICAL SCIENCES					
Microbiology; Office of the Dean of Graduate School					
3. Dorian H. Coppenhaver (T)					127
From: Associate Professor; Assistant Dean for Student Affairs & Associate Director for Basic Biomedical Science		100	12	86,095	
To: Associate Professor; Associate Dean for Student Affairs & Associate Director for Basic Biomedical Science	9/1-8/31	100	12	100,000	
SCHOOL OF MEDICINE; SCHOOL OF ALLIED HEALTH					
Internal Medicine-Geriatrics; Preventive Medicine & Community Health-Epidemiology & Biostatistics; Division of Rehabilitation Sciences					
4. Jean L. Freeman (T)					129
From: Professor		100	12	95,400	
To: Grace Bucksch Gnitzinger Distinguished Professorship in Aging and Professor	9/1-8/31	100	12	95,400	

AMENDMENTS TO THE 2004-05 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE; SCHOOL OF ALLIED HEALTH (Continued) Psychiatry & Behavioral Sciences; Preventive Medicine & Community Health-Epidemiology & Biostatistics; Office of Biostatistics; Division of Rehabilitation Sciences					
5. Daniel H. Freeman, Jr. (T)					128
From: Professor and Director		100	12	156,468	
To: Edgar Gnitzinger Distinguished Professorship in Aging and Professor; Director	9/1-8/31	100	12	156,468	

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE					
Internal Medicine					
1. Randall J. Urban (T)					30
From: Nelda C. and H. J. Lutcher Stark Distinguished Chair in Internal Medicine and Professor		90	12	193,500	
To: Nelda C. and H. J. Lutcher Stark Distinguished Chair in Internal Medicine and Professor; Chair Ad Interim	7/1-8/31	90	12	333,333	
Department of Ophthalmology The Robertson-Poth Distinguished Chair in Ophthalmology and Professor and Chair					
2. Kent W. Small (T)	7/1-8/31	100	12	370,000	29
Anatomy and Neurosciences; Physiology and Biophysics; Marine Biomedical Institute					
3. Henry F. Epstein (T)					27
From: Professor and Chair; Professor and Chair Ad Interim; Interim Director		100	12	275,000	
To: Cecil H. and Ida M. Green Distinguished University Chair in Neuroscience and Cell Biology, Professor, and Chair; Professor and Chair Ad Interim; Interim Director	4/1-8/31	100	12	275,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE (Continued)					
Internal Medicine; Physiology and Biophysics; MD-PhD Combined Degree Program					
4. Steven A. Weinman (T)					26
From: Professor		100	12	169,250	
To: John Sealy Distinguished Chair for MD/PhD Combined Degree Studies in Honor of Dr. Truman G. Blocker and Professor	5/1-8/31	100	12	169,250	
Pharmacology; Sealy Center for Environmental Health and Medicine					
5. James R. Halpert (T)					25
From: The Chauncey Leake Distinguished Professorship in Pharmacology, Professor, and Chair; Interim Director		100	12	187,296	
To: The Mary Gibbs Jones Distinguished Chair in Environmental Toxicology, Professor, and Chair; Interim Director	7/1-8/31	100	12	187,296	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE (Continued) GRADUATE SCHOOL Anatomy and Neurosciences; Physiology and Biophysics; Marine Biomedical Institute 6. William D. Willis, Jr. (T)					28
From: Professor; Member		100	12	248,031	
To: Cecil H. and Ida M. Green Distinguished Chair in Neuroscience and Professor; Member	5/1-8/31	100	12	248,031	

OTHER FISCAL ITEMS

MEMBERSHIP RATES

The following Alumni Field House membership rate increases, effective upon approval, have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Quarterly Rate</u>	<u>Present Rate \$</u>	<u>Proposed Rate \$</u>	<u>Percent Increase</u>
Employee	115	120	4.35%
Employee/Family	180	190	5.56%
<u>Semiannual Rate</u>			
Employee	190	200	5.26%
Employee/Family	295	310	5.08%
<u>Yearly Rate</u>			
Employee	330	345	4.55%
Employee/Family	510	535	4.90%
Student/Family	180	190	5.56%

U. T. HEALTH SCIENCE CENTER - HOUSTON

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
DENTAL BRANCH					
Dean Diagnostic Sciences Pediatric Dentistry Oral Pathology Laboratory					
1. Catherine Flaitz (T)					
From: Interim Dean, Professor, and Chairman		100 SUPLT	12 12	135,000 29,200	48
To: Dean, Professor, and Chairman	8/1-8/31	100 SUPLT	12 12	214,200 50,000	
MEDICAL SCHOOL					
Dean					
2. Stanley G. Schultz (T)					
From: Professor and Interim Dean		100 SUPLT	12 12	178,000 57,000	40
To: Dean and Professor, Fondren Chair in Cellular Signaling	6/1-8/31	100 SUPLT	12 12	250,000 57,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF PUBLIC HEALTH					
Internal Medicine (Continued)					
3. Bruce Kone (T)					41
From: James T. and Nancy B. Willerson Distinguished Chair, and Professor - Internal Medicine – Nephrology, General Instruction – GSBS, and Internal Medicine – Renal Diseases		100 SUPLT	12 12	194,478 87,500	
To: James T. and Nancy B. Willerson Distinguished Chair, Chairman of Internal Medicine, and Professor of Integrative Biology and Pharmacology, Internal Medicine – Nephrology, General Instruction – GSBS, and Internal Medicine – Renal Diseases	5/1-8/31	100 SUPLT	12 12	194,478 132,500	
Environmental Sciences					
4. Lawrence W. Whitehead (T)					39
From: Associate Professor		100	12	86,883	
To: Associate Professor and Interim Director	7/1–8/31	100 SUPLT	12 12	86,883 15,000	

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas System and there is no conflict between holding this position and the appointment of Mr. Untermeyer with The University of Texas Health Science Center at Houston. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas System and there is no conflict between the position and the University appointment.

- | | |
|---------------|--|
| Name: | Mr. Charles Graves Untermeyer |
| Title: | Vice President for Governmental Relations and Professor of Public Policy |
| Position: | Ambassador Extraordinary and Plenipotentiary of the United States of America to the State of Qatar |
| Period: | August 10, 2004 through August 31, 2005 |
| Compensation: | \$150,000 |
| Description: | Mr. Untermeyer will be on unpaid leave of absence while serving as Ambassador to Qatar. |

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents:

- | | |
|-----------------|--|
| 1. Donor Name: | SBC Foundation |
| College/School/ | Office of the Vice President and Chief Information Officer |
| Department: | Department of Telecommunications and Networking |
| Purpose: | SBC Foundation's fifth payment toward a \$5 million grant commitment payable over ten years (2000-2009) in support of the Virtual Campus Health Science Center technology project. |
| Asset Type: | Cash |
| Value: | \$500,000 |

- | | |
|-----------------|--|
| 2. Donor Name: | Robert J. Kleberg, Jr. and Helen C. Kleberg Foundation |
| College/School/ | Graduate School of Biomedical Sciences |
| Department: | Department of Biochemistry |
| Purpose: | First annual installment toward a \$1.5 million grant from the Robert J. Kleberg, Jr. and Helen C. Kleberg Foundation for "Bacteriophages - Understanding Viruses that Kill Bacteria" in support of a three-year research project of South Texas Bacteriophages. |
| Asset Type: | Cash |
| Value: | \$500,000 |

U. T. M. D. ANDERSON CANCER CENTER

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. System Board of Regents:

1. Donor Name: The Commonwealth Foundation for Cancer Research
College/School/ Department: Institution
Purpose: Cancer research
Asset Type: Cash
Value: \$1,250,000

2. Donor Name: The Farmer Family Foundation
College/School/ Department: Institution
Purpose: Innovative cancer research
Asset Type: Cash
Value: \$800,000

3. Donor Name: Baylor College of Medicine
College/School/ Department: Institution
Purpose: Auditorium construction
Asset Type: Cash
Value: \$965,000

4. Donor Name: Estate of Rebecca M. Brown
College/School/ Department: Institution
Purpose: To aid people with cancer
Asset Type: Common Stock
Value: \$623,561

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved as required by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
U. T. M. D. ANDERSON CANCER CENTER - MEDICAL STAFF					
Anesthesiology					
Chair, Professor					
1. David L. Brown (T)	8/30-8/31	100	12	400,000	57
Lymphoma/Myeloma					
Associate Professor					
2. Qing Yi (T)	7/26-8/31	100	12	110,000	59
Melanoma Medical Oncology					
3. Patrick Hwu (T)					49
From: Chair, Professor		100	12	270,000	
To: Chair, Professor and the Robert R. Herring Professorship in Clinical Research	7/1-8/31	100	12	270,000	
Gynecologic Oncology					
4. David Gershenson (T)					50
From: Chair, Professor and Ann Rife Cox Chair		100	12	445,620	
To: Chair, Professor and the J. Taylor Wharton, M.D. Distinguished Chair	7/1-8/31	100	12	445,620	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
U. T. M. D. ANDERSON CANCER CENTER - MEDICAL STAFF (Continued)					
Clinical Cancer Prevention					
5. Scott M. Lippman (T)					51
From: Chair, Professor, and Anderson Clinical Faculty Chair for Cancer Treatment and Research		100	12	270,000	
To: Chair, Professor and Ellen F. Knisely Distinguished Chair in Colon Cancer Research	7/1-8/31	100		12270,000	
Anesthesiology and Critical Care					
6. Thomas Feeley (T)					55
From: Division Head, Professor and Helen Shafer Fly Distinguished Professorship of Anesthesiology		100		12411,876	
To: Executive Vice-President and Chief Operating Office - Division Head, Special Assistant to Chief Operating Office Ad Interim, Professor and Helen Shafer Fly Distinguished Professorship of Anesthesiology	7/1-8/31	100	12	411,876	
	5/1-8/31	SUPLT	12	10,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
U. T. M. D. ANDERSON CANCER CENTER - RESEARCH					
Immunology					
Associate Professor					
7. Chen Dong (T)	7/1-8/31	100	12	110,000	58
Molecular Therapeutics					
8. Gordon B. Mills (T)					52
From: Chair, Professor and Olga Keith and Harry Carothers Wiess Chair for Cancer Research		100	12	252,253	
To: Chair, Professor and Ann Rife Cox Chair in Gynecology	7/1-8/31	100	12	252,253	
Experimental Therapeutics					
9. Elizabeth A. Grimm (T)					53
From: Professor		100		12175,000	
To: Professor and Frances King Black Memorial Professorship for Cancer Research	7/1-8/31	100	12	178,000	

U. T. HEALTH CENTER - TYLER

CONTRACTS

The following contracts or agreements have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

GENERAL CONTRACTS

FUNDS COMING IN

- Agency: Custom Food Group L.P.
Funds: Contractor shall pay to University, as a royalty, the percentages of gross receipts (before exclusion of sales tax) of the amount per unit sold or other basis as indicated in Exhibit "D" (the "Royalty").
Period: September 1, 2004 through August 31, 2006
Description: Custom Food Group L.P. will provide vending machine operations on the U. T. Health Center – Tyler campus for the sale of beverages, snack foods, and fresh food products. The vendor was selected from three bidders: Custom Food Group L.P. from Tyler, Texas; Canteen from Tyler, Texas; and Tyler Beverage from Tyler, Texas, following a competitive bid process.

FUNDS GOING OUT

- Agency: Morrison Management Specialists, Inc. ("Morrison")
Funds: \$2,071,918
Period: Effective September 1, 2003 through August 31, 2006
Description: Morrison is an experienced and qualified food service company for full service food and certain beverage services and will provide these services to the University.



TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 11/4/2004
Austin, Texas
Board Meeting: 11/5/2004
Austin, Texas

Cyndi Taylor Krier, Chairman
H. Scott Caven, Jr.
Judith L. Craven, M.D.
Robert A. Estrada
Robert B. Rowling

	Committee Meeting	Board Meeting	Page
Convene	1:00 p.m. <i>Chairman Krier</i>		
1. U. T. System: Reports from institutional presidents	1:00 p.m. Report <i>Presidents</i>	Not on Agenda	21
2. U. T. Austin: Authorization to establish a Doctor of Audiology degree program	1:06 p.m. Action <i>Dr. Sullivan</i> <i>Dr. Faulkner</i>	Action	21
3. U. T. Austin: Authorization to transfer funds to compensate certain endowment accounts for the acquisition of land and improvements proposed to be incorporated as part of the site of a hotel and conference center located immediately south of the main campus in Austin, Travis County, Texas	1:12 p.m. Action <i>Dr. Faulkner</i> <i>Mr. Wilson</i>	Action	23
4. U. T. Austin: Request for appointment of members to the Board of Directors of The University of Texas at Austin School of Law Publications, Inc.	1:18 p.m. Action <i>Dr. Faulkner</i>	Action	24
5. U. T. Austin: Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project	1:24 p.m. Action <i>Mr. Sanders</i>	Action	24
6. U. T. El Paso: Authorization to establish a Master of Science in Environmental Sciences degree	1:30 p.m. Action <i>Dr. Sullivan</i> <i>Dr. Natalicio</i>	Action	25

	Committee Meeting	Board Meeting	Page
7. U. T. El Paso: Authorization to lease approximately 3.801 acres of land in El Paso, El Paso County, Texas, to High Desert Investors, L.P.	1:36 p.m. Action <i>Dr. Natalicio</i>	Action	27
8. U. T. San Antonio: Authorization to establish a Master of Arts in Communication degree program	1:42 p.m. Action <i>Dr. Sullivan</i> <i>Dr. Romo</i>	Action	30
9. U. T. Tyler: Authorization to create a master planned property acquisition zone for the U. T. Tyler campus	1:48 p.m. Action <i>Dr. Mabry</i>	Action	31
10. U. T. Tyler: Authorization to purchase approximately 11.3558 acres of vacant land in Tyler, Smith County, Texas	1:54 p.m. Action <i>Dr. Mabry</i>	Action	32
Adjourn	2:00 p.m.		

1. **U. T. System: Reports from institutional presidents**

REPORT

The academic presidents will report briefly on new developments taking place at each campus. These oral reports may include any areas such as new research grants, significant collaborations with external agencies, or any other topic deemed to be important by the academic president. This is a quarterly update to the Academic Affairs Committee of the U. T. Board of Regents.

2. **U. T. Austin: Authorization to establish a Doctor of Audiology degree program**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Faulkner that authorization be granted to establish a Doctor of Audiology degree program at U. T. Austin 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 U. T. Austin Table of Programs to reflect authorization for the proposed degree program.

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

BACKGROUND INFORMATION

Program Description

U. T. Austin proposes an interdisciplinary Doctor of Audiology (AuD) that will consist of 121 semester credit hours beyond the bachelor's level. The program will be administered by the Department of Communication Sciences and Disorders in the College of Communication and will focus on academic and clinical education for those entering the profession of audiology. The degree program is designed to prepare graduates to practice audiology in a rapidly changing, technologically-advanced era. The proposed program will include state-of-the-art teaching and clinical experiences covering the scientific, clinical, and professional bases of hearing and disorders of the auditory system. The goal of the program is to produce graduates who are highly competitive at the state and national levels and competent to provide audiology services across the life span in medical, educational, and industrial environments that will include both diagnosis and treatment of hearing disorders. The anticipated date for enrolling the first students is Fall 2005.

Need and Student Demand

The master's degree is currently the entry-level degree for the practice of audiology. The American Speech-Language-Hearing Association (ASHA), a national accrediting body, has recently published a new standard for professional practice in audiology. This standard mandates the doctorate as the entry-level degree. To maintain an accredited program in Communication Sciences and Disorders that includes audiology, curricular requirements consistent with the doctoral degree must be in place. Although U. T. Austin currently offers a Ph.D. in Audiology, the degree emphasizes research and the training of auditory scientists. The AuD degree involves preparation in the diagnosis and non-medical treatment of hearing and balance disorders with the goal of training clinicians. Because the educational objectives are clearly different, both the Ph.D. and AuD degrees need to be offered. The incidence of hearing disorders has increased dramatically with the aging of the population. Similarly, technological advances to address those disorders have shown remarkable growth in recent years.

Historically, U. T. Austin has had no difficulty attracting audiology students. It is anticipated that prospective audiologists will continue to look to U. T. Austin for graduate education. The change in the entry-level degree for the practice of audiology from the master's to the doctorate is just beginning to have an impact on student choices and decisions. The faculty, facilities, and clinical resources necessary to mount a quality AuD program are such that many universities, which only offer the master's degree, will likely terminate their audiology programs. This will create even greater demand among prospective students as their options within the state and nation decline. Finally, as the profession moves toward the doctorate, it is anticipated that recent graduates will return to school for training to remain competitive in this rapidly changing profession.

Program Quality

The proposed AuD degree would build on academic and clinical courses for the existing master's program in audiology, and thus access and coordinated scheduling are assured. The department already has procedures in place that meet the standards for evaluation established by ASHA and the Council on Academic Accreditation (CAA). The CAA conducts accreditation site visits at regular intervals to assess program quality. Additionally, evaluation instruments administered by the program will yield information on job performance, job satisfaction, program strengths and weaknesses, and employment trends. The effectiveness of recruiting, retention, and placement strategies will be measured, as will the rate of progress in achieving program milestones.

Program Cost

The expenditures for the first five years are anticipated to be \$53,500. These expenses are associated with library and instructional-technology costs (\$3,500) and start-up costs (\$50,000) for a new laboratory. Because the new program merges into an existing graduate program, no reassignment of faculty or administration is required at this time.

3. **U. T. Austin: Authorization to transfer funds to compensate certain endowment accounts for the acquisition of land and improvements proposed to be incorporated as part of the site of a hotel and conference center located immediately south of the main campus in Austin, Travis County, Texas**

RECOMMENDATION

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

- a. transfer funds sufficient to compensate The Louise Farmer Boyer Chair in Biblical Studies and The Professor William Shive Excellence Fund for the Study of Antiquity & Christian Origins endowment accounts for the acquisition of land with improvements described as Lots 35 and 36, Block 20, Louis Horst's Subdivision out of Outlot 20, Division "D" in the City of Austin, Travis County, Texas; and
- b. submit the acquisition to the Texas Higher Education Coordinating Board for approval, if necessary.

BACKGROUND INFORMATION

The property, located at 1908 University Avenue, was donated on August 25, 2003, by the Foundation for Biblical Studies, a Texas nonprofit corporation, to benefit The Louise Farmer Boyer Chair in Biblical Studies and The Professor William Shive Excellence Fund for the Study of Antiquity & Christian Origins at U. T. Austin. This transfer will allow the endowment to be compensated for the properties.

Based on an MAI appraisal dated April 30, 2003, the market value for the property was \$1,340,000. The property will be added to the inventory of campus land for the main campus of U. T. Austin, and will be incorporated into the site of the proposed hotel and conference center.

See Executive Session Item 3a on Table of Contents Page i of the Meeting of the Board and Facilities Planning and Construction Item 1 on Page 54.

4. **U. T. Austin: Request for appointment of members to the Board of Directors of The University of Texas at Austin School of Law Publications, Inc.**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Faulkner that the U. T. Board of Regents appoint Associate Dean Steven J. Goode and Assistant Dean Nancy Brazzil to serve, in addition to Dean William C. Powers, Jr., as directors of The University of Texas at Austin School of Law Publications, Inc., an internal corporation associated with U. T. Austin.

BACKGROUND INFORMATION

The University of Texas at Austin School of Law Publications, Inc. (UTSLP) is an internal corporation chartered in 1981 for the management of publications by the School of Law at U. T. Austin. The Bylaws provide that the members of the UTSLP Board will be "the Dean of The University of Texas at Austin School of Law (Law School) and two Associate or Assistant Deans of the Law School nominated by the President of The University of Texas at Austin and appointed by the Regents."

President Faulkner recommends that the U. T. Board of Regents appoint Associate Dean for Academic Affairs Steven J. Goode and Assistant Dean for Alumni Affairs Nancy Brazzil to the UTSLP Board. There are no additional costs associated with these appointments and all contractual relationships have been reviewed by the U. T. System Office of General Counsel and are in accordance with the Regents' Rules and Regulations.

The U. T. System Office of General Counsel is reviewing the other corporations affiliated with or established for the benefit of U. T. System institutions and will propose revisions to the Articles and Bylaws of those entities for appropriate consideration by the Board in the future.

5. **U. T. Austin: Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive 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 Speedway Mall North of 21st Street and

East Mall/East Mall Fountain, Phase I project at The University of Texas at Austin at a preliminary project cost of \$12,000,000 with funding from Gifts as shown below.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 54)

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2006

Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Gifts	\$12,000,000

BACKGROUND INFORMATION

Project Description

The Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I project at U. T. Austin will consist of pedestrian traffic enhancements and landscape improvements for Speedway Avenue from 21st Street to Dean Keeton Street and the East Mall from Speedway Avenue to San Jacinto Boulevard, including the East Mall fountain. The first phase includes planning and design of all of the improvements and execution of those improvements associated with the East Mall fountain.

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

6. U. T. El Paso: Authorization to establish a Master of Science in Environmental Sciences degree

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Master of Science in Environmental Sciences degree program at U. T. El Paso; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

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

BACKGROUND INFORMATION

Program Description

U. T. El Paso proposes an interdisciplinary Master of Science in Environmental Sciences that will consist of 30 semester credit hours beyond the bachelor's level. The program will be administered by the College of Science and will focus on interdisciplinary environmental science, an important area for research and education in the border region and Texas. The program is designed to prepare graduate students who wish to contribute to understanding of the interactions between human beings and their environment. This interdisciplinary program offers a rigorous foundation in the sciences focused on preparing students for careers in the environmental workforce and for entry into doctoral programs in environmental sciences or other sciences. The program will provide a necessary link between the existing Bachelor of Environmental Science degree and the Ph.D. in Environmental Science and Engineering. The anticipated date for enrolling the first students is Fall 2005.

Program Quality

This degree program will add to an existing successful program in interdisciplinary environmental sciences. The Environmental Sciences and Engineering Program currently has 38 faculty members and approximately 50 Ph.D. students. The Bachelor of Environmental Sciences involves faculty from Chemistry, Biology, Geology, and Physics and currently has 32 students enrolled. Faculty members are already members of the graduate faculty in their own departments. Many of the faculty members are active in the Environmental Sciences and Engineering Ph.D. program. The interdisciplinary nature of the program allows a broad range of research topics and advisors.

Program Cost

Expenditures for the first five years are anticipated to be \$663,425.

Five new faculty positions have already been created to support this program. Because the program merges into the existing environmental programs, no reassignment of faculty is required at this time. The program will require \$525,400 for teaching assistants; \$25,000 for reassigned clerical staff; and \$14,250 for reallocation of an administrator. Equipment, library resources, and supplies for teaching the additional students will require a total of \$98,775.

7. **U. T. El Paso: Authorization to lease approximately 3.801 acres of land in El Paso, El Paso County, Texas, to High Desert Investors, L.P.**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that authorization be given for U. T. El Paso to lease approximately 3.801 acres of land in El Paso, El Paso County, Texas, to High Desert Investors, L.P. with terms substantially similar to those outlined in the transaction summary on Pages 28-29. The negotiated lease term will be 50 years for construction and operation of a hotel.

It is further recommended that President Natalicio or her delegate be authorized to execute all documents, instruments and other agreements, with the prior approval of the Office of the General Counsel and the U. T. System Real Estate Office, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property is a 3.801-acre tract of land along the major entrance on the east side of the U. T. El Paso campus, with improvements consisting of two vacant residences and two residences currently occupied by the campus Police Department, which is scheduled to move to new facilities in 2005. The site is close to the academic core of the campus as well as the Student Union and its facilities, and approximately three blocks from a medical center with two major hospitals.

U. T. El Paso wishes to enter into a ground lease agreement with High Desert Investors, L.P. to develop a hotel on the site of the subject property. High Desert Investors, L. P. is a Delaware limited partnership whose general partner is High Desert Hospitality, L.L.C. The principals of High Desert Hospitality, L.L.C. are Russell Vandenburg and Charles Garrett. An initial report on the feasibility of a hotel located on the U. T. El Paso campus was prepared by HVS International (a leading valuation service company in the hospitality industry retained by the development company) and favorably reviewed by an independent consultant hired by the University to validate HVS International's study. The report recommends a facility similar to the proposed franchisee, Hilton Garden Inns, with 150 guestrooms, a conference facility, and a dining area. The facility would be designed and constructed with Bhutanese architectural features to complement the character of the U. T. El Paso campus.

The hotel will accommodate university-sponsored conferences and meetings, alumni, and out-of-town guests attending other special events, as well as provide convenient hotel accommodations for the adjacent medical center.

Transaction Summary

Institution:	U. T. El Paso
Transaction:	Ground Lease
Lessee:	High Desert Investors, L.P.
Tract Size:	3.801-acre site on U. T. El Paso campus
Land Use:	3,000 square foot hotel with 150 guest rooms, a conference facility, and a dining area
Lease Term:	50 years
Extension Options:	Two options to renew for 10 years each at then market rates as determined by independent appraisals with dispute resolution clauses (under negotiation)
Ground Rent Schedule:	<p>Nominal rent until certificate of occupancy issued</p> <p>Fixed base rent for five years (determined by land value) or until 72% occupancy is reached for one full year.</p> <p>After five years or 72% occupancy, the rent will be the greater of the fixed base rent or the following:</p> <p>Percentage rental equals the sum of: (i) two percent (2%) of room sales for the year in question for the first 10 years of the lease term, and then three percent (3%) of room sales for each subsequent year; plus (ii) one percent (1%) of the food and beverage gross sales for the year in question; plus (iii) one percent (1%) of the other income gross sales if any, from operations and business conducted on the premises for the year in question, minus (iv) the fixed base rent payable for the year in question. Sales/revenues of subtenants will be included in the calculation.</p> <p>Every five years the base rent will be adjusted to the average of the preceding three years and in no event shall it decrease.</p>

Taxes: Tenant to pay all taxes and imposition of every kind

Title Work: To be completed by Hughes Butterworth, LandAmerica
Lawyers Title of El Paso

Commencement Date: November/December 2004

Lessee Selection Process: Direct Appointment

Real Estate Commission: None

8. **U. T. San Antonio: Authorization to establish a Master of Arts in Communication degree program**

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 Master of Arts in Communication degree program at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the U. T. San Antonio Table of Programs 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

U. T. San Antonio proposes to offer the Master of Arts (M.A.) in Communication degree program. This program will be offered by the Department of Communication in the College of Liberal and Fine Arts. The program is designed to prepare students with integrated knowledge and skills in communication, including the theory, research, and practice that are requisite to success in contemporary communication industries, scholarship, and/or creative endeavors. The understanding and effective application of new communication technologies will also be stressed. In addition, the program's emphasis on international and intercultural communication is designed to prepare students to work effectively with multicultural populations in a variety of settings, including health care and other professional and social organizations.

The program is 33 or 36 semester credit hours of coursework beyond the bachelor's degree. For students electing the 33 hour program, a thesis/or project is required; for students electing the 36 hours of coursework, no thesis is required. The thesis or project option is designed to provide students with the opportunity to develop an independent research or creative project in a specialized area of interest. The non-thesis or project option will provide students with the opportunity to gain applied knowledge from additional coursework, internship experiences, and/or independent study. Fifteen hours of core courses will be required of all students, plus additional coursework in an area designed to provide them with specialized knowledge in an area of communication such as news media, interpersonal communication, organizational studies, or international/intercultural communication. Students electing the thesis/project option will take six semester credit hours of thesis/project research. Given the

multidisciplinary character of communication studies, students will have the opportunity to take three to six semester credit hours of coursework outside the Department of Communication in related fields such as Management, Information Systems, Bicultural-Bilingual Studies, and Sociology.

Program Quality

The Department of Communication currently has 11 full-time tenured and tenure-track faculty members, and has recently hired three faculty and plans to hire three additional faculty members to contribute to the M.A. program by the fifth year. Thus, by the fifth year there will be 17 full-time faculty members in the Department of Communication. The current faculty members publish in a number of areas of Communication relevant to the proposed program. The Department of Communication is housed in the College of Liberal and Fine Arts. It is among the departments selected to occupy the new Main Building on the 1604 Campus. Dedicated facilities for the Department of Communication will include sufficient office space for existing and anticipated faculty members as well as for graduate assistants, a distance-learning equipped seminar room, and a computer teaching classroom for multimedia design and production. In addition, the Durango Building at the Downtown Campus features a state-of-the-art instructional technology suite consisting of a computer classroom for design and production work, a video production/distance learning studio, and a small group observation lab. The existing facilities will meet program needs.

Program Cost

The cost of operating the program in the fifth year is approximately \$860,520, with the majority of the costs associated with hiring new faculty and staff to assist in the delivery and support of the program. Revenues from formula funding and the reallocation of existing resources are expected to be sufficient to fully fund the program.

9. U. T. Tyler: Authorization to create a master planned property acquisition zone for the U. T. Tyler campus

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that authorization be granted by the U. T. Board of Regents, on behalf of The University of Texas at Tyler, to create a "property acquisition zone", consisting of nine tracts of unimproved land and three tracts of land with improvements containing approximately 189.42 acres in close proximity to the U. T. Tyler main campus, with the understanding that approval to acquire specific properties included in the proposed acquisition zone is not being requested at this time.

BACKGROUND INFORMATION

Enrollment at U. T. Tyler has increased 76% over the past five years and growth rates are expected to continue through the end of the decade, with enrollment projected at 7,000 by 2010. The University's 206-acre main campus contains only 160 acres suitable for constructing buildings to support the expected growth in enrollment and expansion of research programs. To maintain the park-like nature of the campus and to avoid the campus becoming landlocked by private development of the few parcels of vacant land contiguous or near the main campus, U. T. Tyler has identified several parcels (nine tracts of unimproved land and three tracts of land with improvements) to be included in a property acquisition zone. A master plan would be developed for these properties as part of the overall Campus Master Plan once creation of the property acquisition zone is approved. Properties contained in the proposed acquisition zone would initially be used for remote parking, athletic fields, and an art or research building, and later as sites for research centers, academic buildings, athletic and recreational venues, and student housing.

Residential and commercial development of properties surrounding the U. T. Tyler main campus has resulted in rapidly increasing property values. The properties in the requested property acquisition zone have an estimated market value of \$15,752,400 and can be acquired now for lower prices than in the future. Creation of the property acquisition zone and subsequent acquisition of the properties contained therein as they become available would allow the University to control potential commercial and other uses of the properties adjoining the campus. With the exception of a proposed acquisition of 11.3558 acres of vacant land (see Item 10 below), no approval to acquire specific properties included in the proposed acquisition zone is being requested at this time.

10. U. T. Tyler: Authorization to purchase approximately 11.3558 acres of vacant land in Tyler, Smith County, Texas

RECOMMENDATION

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

- a. purchase approximately 11.3558 acres of undeveloped land located at the northeast corner of Old Omen Road and University Boulevard (Spur 248), Tyler, Smith County, Texas, at a price not to exceed the fair market value as determined by independent appraisals;
- b. submit the acquisition to the Texas Higher Education Coordinating Board for approval, if necessary; and

- c. authorize the Executive Vice Chancellor for Business Affairs or his delegate to execute all documents, instruments and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Tyler wishes to purchase the subject property, consisting of approximately 11.3558 acres of undeveloped land strategically located at the main entrance to the University's main campus, to acquire property crucial to long-term development and expansion of the existing campus. The property would initially be used for remote parking and later be used for construction of academic and research buildings, student housing, and athletic venues. (See Item 9 on Page 31 related to creation of a master planned property acquisition zone.)

Because residential and commercial development of properties surrounding the U. T. Tyler campus has resulted in rapidly increasing property values, the current purchase price of \$625,000 is projected to be lower than if the purchase were made at a future date. The land is currently under a sales contract dated August 27, 2004, to Ms. Eleanor A. Stringer, a member of the U. T. Tyler Development Board, and will be assigned to U. T. Tyler if the acquisition is approved. The source of funding will be uncommitted fund balances.

The terms and conditions of the purchase are as reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. Tyler
Transaction:	Purchase
Property Size:	11.3558 acres
Property Address:	Northeast corner of Old Omen Road and University Boulevard (Spur 248), Tyler, Texas
Type of Property:	Vacant land (undeveloped woodland)
Seller:	Saleh Children, L.P. (through assignment of contract by Ms. Eleanor A. Stringer)

Contract Price: \$625,000

Appraised Value: \$495,000 (Benchmark Appraisal Group, August 17, 2004)
\$625,000 (Kennedy Holtcamp Thompson,
September 9, 2004)
\$990,000 (Appraisal Associates, September 13, 2004)

Flood Hazard: Outside FEMA flood zone



TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 11/4/2004
Austin, Texas
Board Meeting: 11/5/2004
Austin, Texas

Rita C. Clements, *Chairman*
H. Scott Caven, Jr.
Judith L. Craven, *M.D.*
Cyndi Taylor Krier
Robert B. Rowling

	Committee Meeting	Board Meeting	Page
A. Convene	<i>2:00 p.m.</i> <i>Chairman Clements</i>		
1. U. T. Health Center - Tyler: Honoric naming of the Ambulatory Care Center as The Riter Center for Advanced Medicine	<i>2:05 p.m.</i> Action <i>Dr. Patricia A. Blair</i>	Action	35
2. U. T. Southwestern Medical Center - Dallas: Approval to establish the U. T. Southwestern Health System Board of Visitors	<i>2:10 p.m.</i> Action <i>Dr. Wildenthal</i>	Action	36
3. U. T. Southwestern Medical Center - Dallas: Approval of a deferred compensation plan pursuant to Section 457(f) of the <u>Internal Revenue Code</u> of 1986, as amended	<i>2:15 p.m.</i> Action <i>Dr. Wildenthal</i>	Action	37
4. U. T. M. D. Anderson Cancer Center: Approval of Amended and Restated Articles of Incorporation for M. D. Anderson Services Corporation and delegation to amend Articles and Bylaws	<i>2:35 p.m.</i> Action <i>Dr. Mendelsohn</i>	Action	38
5. U. T. M. D. Anderson Cancer Center: Authorization to acquire real property and improvements located at 6602 Mapleridge Road, Houston, Harris County, Texas	<i>2:40 p.m.</i> Action <i>Dr. Mendelsohn</i>	Action	49
6. U. T. M. D. Anderson Cancer Center: Honoric naming of the Science Park veterinary facility near Bastrop, Texas, as The Michale E. Keeling Center for Comparative Medicine and Research	<i>2:50 p.m.</i> Action <i>Dr. Mendelsohn</i>	Action	51
7. U. T. Health Science Center - San Antonio: Update on the Medical Education Division and the Medical Research Division of the Regional Academic Health Center	<i>2:55 p.m.</i> Report <i>Dr. Cigarroa</i>	Not on Agenda	52

	Committee Meeting	Board Meeting	Page
8. U. T. Health Science Center - Houston: Update on the Public Health Division of the Regional Academic Health Center	<i>3:10 p.m.</i> Report <i>Dr. Willerson</i> <i>Dr. García</i>	Not on Agenda	53
B. RECESS TO EXECUTIVE SESSION PURSUANT TO <u>TEXAS GOVERNMENT CODE, CHAPTER 551</u>	<i>3:15 p.m.</i>		
Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - <u>Texas Government Code</u> Section 551.071			
U. T. Health Science Center - Houston - Proposed settlement of medical liability claim	<i>Mr. Collins</i>		
C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM	<i>3:25 p.m.</i>		
Adjourn	<i>3:30 p.m.</i>		

1. **U. T. Health Center - Tyler: Honorific naming of the Ambulatory Care Center as The Riter Center for Advanced Medicine**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Calhoun that the U. T. Health Center - Tyler Ambulatory Care Center be renamed The Riter Center for Advanced Medicine.

BACKGROUND INFORMATION

The Ambulatory Care Center consists of four floors with 132,670 square feet of space for patient waiting areas, patient exam rooms, physician and nurse work areas, diagnostic testing areas, a primary health clinic, a senior assessment clinic and exam rooms, and a diabetes education area. The fourth floor will be complete in 2005, and will house the Women's Wellness Center, a surgery suite, the breast care center, a community conference room, and additional exam and physician work areas.

A. W. "Dub" Riter, Jr., former Vice-Chairman of the U. T. Board of Regents, served Tyler and the State of Texas in a multitude of ways. At the time of his death in September 2003, Mr. Riter had been a member of the U. T. Health Center - Tyler Development Board since 1982, serving as chair from 1992 until 2003. In February 2003, he completed a six-year term as a member of the Board of Regents of the U. T. System and was asked by Governor Perry to extend his term through the 2003 legislative session.

Mr. Riter was chairman of the U. T. Health Center - Tyler Development Board during the capital campaign to raise funds to finish out the empty third and fourth floors of the Ambulatory Care Center. This allowed U. T. Health Center - Tyler to reorganize and reconfigure the first two floors to better meet the needs of current patients and allow for future growth. Along with devoting countless hours of service to U. T. Health Center - Tyler, Mr. Riter, his wife B.J., and the Riter family have donated generously to various U. T. Health Center - Tyler causes.

Mr. Riter served on the Governor's Select Task Force on Public Education and various boards and committees at the local level, among them the U. T. Tyler Development Board, Tyler Independent School District Foundation, Junior Achievement, East Texas Hospital Foundation, and Tyler Economic Development Council.

The naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

2. **U. T. Southwestern Medical Center - Dallas: Approval to establish the U. T. Southwestern Health System Board of Visitors**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Wildenthal that the U. T. Board of Regents authorize the Chancellor, on behalf of U. T. Southwestern Medical Center - Dallas, to establish the U. T. Southwestern Health System Board of Visitors to be composed of business and community leaders who will serve in a non-voting advisory capacity and provide strategic advice to U. T. Southwestern Medical Center - Dallas regarding its operation of Zale Lipshy University Hospital, St. Paul University Hospital, and U. T. Southwestern's outpatient facilities. Approval of establishment of this entity is consistent with the requirements of establishment of a development board (Regents' Rules and Regulations, Part One, Chapter VII, Section 5).

It is further recommended that the Board recognize that U. T. Southwestern's operation of its clinical services can best be achieved by the continued participation and active support from business and community leaders who have been instrumental in the establishment and operation of Zale Lipshy University Hospital and St. Paul University Hospital prior to acquisition of these university hospitals by U. T. Southwestern.

Further, it is recommended that the Board delegate to the President of U. T. Southwestern the authority to direct the organization and utilization of the Board of Visitors.

BACKGROUND INFORMATION

On August 12, 2004, the Board of Regents authorized the Chancellor, on behalf of U. T. Southwestern, to (a) direct that final agreements covering acquisition of Zale Lipshy University Hospital and St. Paul University Hospital by U. T. Southwestern be negotiated and submitted for Board approval at a future meeting, and (b) direct the preparation and filing of any required submittals to other governmental agencies in connection with the proposed transaction.

The Board approved acquisition of the assets of Zale Lipshy University Hospital and St. Paul University Hospital by U. T. Southwestern on October 12, 2004.

It is anticipated that the closing of this transaction will occur on or before December 31, 2004, and U. T. Southwestern Medical Center - Dallas will begin operation of Zale Lipshy University Hospital and St. Paul University Hospital in conjunction with U. T. Southwestern outpatient facilities on January 1, 2005. It is the intention of U. T. Southwestern Medical Center - Dallas to establish the Board of Visitors effective January 1, 2005.

3. **U. T. Southwestern Medical Center - Dallas: Approval of a deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor and General Counsel, and President Wildenthal that the U. T. Board of Regents authorize establishment and implementation of a deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended, subject to review and approval of the General Counsel.

BACKGROUND INFORMATION

U. T. Southwestern Medical Center - Dallas is proposing to establish a deferred compensation plan (the "Plan") for selected individuals as identified by the president with approval of the Executive Vice Chancellor for Health Affairs. The purpose of the Plan is to encourage retention of individuals key to the success of U. T. Southwestern Medical Center - Dallas. The structure of the Plan would allow for the deferral of compensation pursuant to Section 457(f) of the Internal Revenue Code, similar to the U. T. System Deferred Compensation Plan.

The details of the Plan are as follows:

- a. Certain individuals ("Eligible Employees") as designated by the president, with the approval of the Executive Vice Chancellor for Health Affairs, would be determined to be eligible for deferral of compensation under the Plan on an annual basis.
- b. The deferrals would be for a minimum of three (3) years and a maximum of five (5) years (the "Operative Period") as determined by the president.
- c. During the Operative Period, U. T. Southwestern Medical Center - Dallas will contribute the approved deferred amounts on an annual basis to an account which will be credited or debited with deemed earnings or losses.
- d. At the end of the Operative Period assuming the Eligible Employee is still employed by U. T. Southwestern Medical Center - Dallas, the Eligible Employee will become vested in the contributed amounts, including earnings or losses to that date. At that time, the balance in the participant's account will be considered taxable income to the Eligible Employee.

- e. The eligible employee must be employed and satisfactorily performing in an eligible position at the end of the Operative Period in order to receive the balance in the participant's account.
- f. As soon as practicable, the Eligible Employee will receive distribution of the balance in the participant's account, subject to all deductions required by law.

4. **U. T. M. D. Anderson Cancer Center: Approval of Amended and Restated Articles of Incorporation for M. D. Anderson Services Corporation and delegation to amend Articles and Bylaws**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor and General Counsel, and President Mendelsohn that the U. T. Board of Regents approve Amended and Restated Articles of Incorporation for the M. D. Anderson Services Corporation as set out on Pages 42 - 48.

It is further recommended that, consistent with the proposed Amended Articles, authority to amend the Corporation's Articles and Bylaws be delegated to the Member of the Services Corporation (the president of U. T. M. D. Anderson Cancer Center), provided that any such amendment shall have received the prior approval of the U. T. System Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel.

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 U. T. M. D. Anderson Cancer Center by establishing joint ventures in selected markets, providing additional referrals to the institution, contracting for delivery of inpatient and outpatient 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 on February 15, 2001, M. D. Anderson Services Corporation shall be managed by a seven person 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. Currently, the following serve as Directors:

- Mr. Leon Leach
- Dr. David Callender
- Dr. Margaret Kripke
- Dr. Martin Raber
- Vice-Chairman Rita Clements
- Executive Vice Chancellor for Health Affairs Kenneth Shine
- Associate Vice Chancellor for Finance Philip Aldridge.

Upon approval of amendments proposed in Article VII of the Articles attached on Page 44, the Regent and the two U. T. System Administration officers will be as follows and will serve by virtue of their position:

- the Chairman of the U. T. Board of Regents' Health Affairs Committee,
- the Executive Vice Chancellor for Health Affairs, and
- the Executive Vice Chancellor for Business Affairs.

In an effort to respond to emerging corporate governance and corporate responsibility initiatives, the U. T. System requested that members of the governing boards of the certified nonprofit health corporations of the System's six component health institutions attend a one-day educational seminar focusing on the roles and responsibilities of nonprofit board members. The Boards of Directors of the two U. T. M. D. Anderson Cancer Center nonprofit health corporations, M. D. Anderson Services Corporation and M. D. Anderson Physicians Network, were invited to participate in the June 10, 2003, Corporate Governance Training session conducted by The University of Texas at Austin Red McCombs School of Business.

Based on the information provided at the Governance Seminar, M. D. Anderson Services Corporation ("Services Corporation") initiated an internal review of practices and procedures pertaining to corporate governance issues. The internal review resulted in a determination that the Corporation's Articles of Incorporation (the "Articles") and Bylaws should be revised with respect to (a) the right to indemnification by the Corporation and (b) the liability of Directors to the Corporation. These recommendations are in accordance with good corporate practices as presented at the U. T. System Governance Seminar. Amendment of the Articles of Incorporation and Bylaws of the Corporation currently requires Regental approval. Accordingly, it is recommended that the Amended and Restated Articles be approved to address these issues and provide greater flexibility to amend Articles and Bylaws in the future.

The current Articles require the Corporation to indemnify any person who is or was a Director, officer, employee, or agent of the Corporation, subject to certain limitations. Proposed substantive changes are as follows:

- New Article VII would simplify appointment of Directors.
- New Article XII would be amended to
 - (a) require the Corporation to indemnify only Directors and officers of the Corporation and (b) permit, but not require, the Corporation to indemnify employees and agents of the Corporation,
 - permit, but not require, the Corporation to indemnify and advance expenses to persons (other than Directors, officers, employees, or agents of the Corporation) who are or were serving at the Corporation's request as a Director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation or other enterprise against any liability asserted against him or her in such a capacity,
 - incorporate the language of the Texas Non-Profit Corporation Act with respect to the procedures for indemnification,
 - (a) exclude indemnification for only medical malpractice (and not other forms of professional malpractice, such as legal malpractice) and (b) apply the exclusion for medical malpractice claims to all persons (such as employees of the Corporation),
 - exclude indemnification for the acts of any person with respect to such person's personal capacity,
 - permit the Corporation to pay or reimburse the reasonable expenses of a Director, Member, officer, employee or agent of the Corporation in connection with his or her appearance as a witness or other participation in a proceeding, and
 - provide in accordance with the Texas Miscellaneous Corporation Laws Act that a Director of the Corporation shall not be liable to the Corporation for any act or omission in the individual's capacity as a Director except for (a) a breach of a Director's duty of loyalty to the Corporation, (b) an act that is not in good faith, constitutes a breach of duty to the Corporation, or involves intentional misconduct or a knowing violation of the law, (c) a transaction in which a Director received an improper benefit, or (d) an act for which the liability of a Director is expressly provided by law.

- New Article XIII would allow the Member (president of U. T. M. D. Anderson Cancer Center) to amend the Articles and Bylaws in the future, provided that any such amendment shall have received the prior approval of the U. T. System Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel.

The U. T. System Office of General Counsel has held discussions with the other corporations affiliated with or established for the benefit of U. T. System health institutions and will propose revisions to the Articles and Bylaws of those entities for appropriate consideration by the Board in the future.

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

M. D. ANDERSON SERVICES CORPORATION

Pursuant to the provisions of Article 1396-4.06 of the Texas Non-Profit Corporation Act, the President of The University of Texas M. D. Anderson Cancer Center, the sole member of M. D. Anderson Services Corporation (the "Corporation"), adopts the following Amended and Restated Articles of Incorporation of the Corporation pursuant to the recommendations of the Corporation's Board of Directors and the prior approval of the Board of Regents of The University of Texas System:

ARTICLE I

The name of the Corporation is M. D. ANDERSON SERVICES CORPORATION.

ARTICLE II

The Corporation is a nonprofit corporation.

ARTICLE III

References to the "Code" in these Articles of Incorporation are references to sections of the Internal Revenue Code of 1986 and corresponding provisions of any subsequent federal tax laws.

ARTICLE IV

The period of the Corporation's duration is perpetual.

ARTICLE V

The purposes for which the Corporation is organized and to be operated are charitable, educational, and scientific. In accomplishment of such purposes, the Corporation is to be administered solely for the benefit of The University of Texas M. D. Anderson Cancer Center (the "Beneficiary"), by providing, directly or indirectly, assistance and benefit, financial or otherwise, to the Beneficiary through whatever means are determined by the Board of Directors, including, but not limited to, making distributions or providing services to the Beneficiary. In accomplishment of such purposes, the Corporation will emphasize clinical, educational, and scientific aspects of cancer care throughout the United States and in foreign countries, and will

- (a) Establish and maintain comprehensive outpatient centers for cancer care, including without limitation general clinics and specialty clinics, offering ambulatory chemotherapy, diagnostic radiology, therapeutic radiology, clinical and pathology laboratories, and pharmacy;
- (b) Establish and maintain inpatient cancer centers in various settings (such as a unit in an acute-care facility or as a freestanding unit on an acute-care campus);
- (c) Enter into cooperative agreements with local medical centers, providing institutional services with respect to inpatient care for cancer patients;
- (d) Enter into educational agreements with local medical centers or other institutions to enhance the training of technicians and allied health professionals in the care of cancer patients;
- (e) Enter into agreements with The University of Texas M. D. Anderson Cancer Center for the use of necessary or appropriate services, facilities, equipment, personnel, programs, names, service marks, trademarks, intellectual property, and such other items that would further the purposes of the Corporation;
- (f) Establish and maintain programs, including educational programs and services for physicians, educational programs for the public, and marketing programs, for the purposes of generating and enhancing referrals with respect to the services and facilities offered by The University of Texas M. D. Anderson Cancer Center; and
- (g) Perform such other activities or functions that the Board deems appropriate or necessary for the accomplishment of the purposes of the Corporation.

The broadest discretion is vested in and conferred upon the Board of Directors for the accomplishment of these purposes, provided, however, that no contribution shall be made or distributed to or for any person, firm, corporation, or other entity that shall apply, directly or indirectly, such contributed funds for any purpose or purposes in violation of the Constitution and statutes of the United States or the State of Texas.

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

ARTICLE VI

The street address of the registered office of the Corporation is 811 Dallas Avenue, Houston, Texas 77002, and the name of its registered agent at such address is CT Corporation System.

ARTICLE VII

The Board of Directors of the Corporation shall consist of seven (7) Directors. The number of Directors may be increased or decreased (provided such decrease does not have the effect of shortening the term of any incumbent Director) from time to time by amendment of these Articles of Incorporation in accordance with the provisions of Article XIII, provided that the number of Directors shall never be less than three (3). The Directors shall be selected as follows:

- (a) The Member, in its sole discretion, may appoint four (4) Directors; and
- (b) The remaining three (3) Directors shall be as follows:
 - (i) One Director shall be the Chairman of The University of Texas System (the "System") Board of Regents' Health Affairs Committee, whoever shall hold that position from time to time;
 - (ii) One Director shall be the System's Executive Vice Chancellor for Health Affairs, whoever shall hold that position from time to time; and

- (iii) One Director shall be the System's Executive Vice Chancellor for Business Affairs, whoever shall hold that position from time to time.

ARTICLE VIII

The sole member of the Corporation (the "Member") shall be the President of the Beneficiary.

ARTICLE IX

Regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Corporation shall not:

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

ARTICLE X

If the Corporation is a private foundation within the meaning of Section 509(a) of the Code, the Corporation:

- (1) Shall distribute its net income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code;
- (2) Shall not engage in any act of self-dealing as defined in Section 4941(d) of the Code;
- (3) Shall not retain any excess business holdings as defined in Section 4943(c) of the Code;
- (4) Shall not make any investments in such manner as to subject it to tax under Section 4944 of the Code; and

(5) Shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

ARTICLE XI

Upon the dissolution of the Corporation, after payment or provision for payment of the Corporation's liabilities has been made, the Corporation's remaining assets shall be distributed exclusively to the Beneficiary or to the First Substitute Beneficiary in the event the First Substitute Beneficiary is selected pursuant to the provisions of ARTICLE V or to the Second Substitute Beneficiary in the event the Second Substitute Beneficiary is selected pursuant to the provisions of ARTICLE V. The amount of any distribution made under this ARTICLE XI shall be determined by the Board of Directors.

ARTICLE XII

Section 1. Right to Indemnification. Subject to the limitations and conditions as provided in this ARTICLE XII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative (hereinafter a "proceeding"), or any appeal in such a proceeding, or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director or officer of the Corporation or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, limited liability company, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise shall be indemnified by the Corporation to the fullest extent permitted by the Texas Non-Profit Corporation Act (the "Act"), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements, and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with such proceeding.

Section 2. Advance Payment. The right to indemnification conferred in this ARTICLE XII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 of this ARTICLE XII who was, is, or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for

indemnification under the Act and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under the Act or otherwise.

Section 3. Indemnification of Employees and Agents. The Corporation, by adoption of a resolution by the Board of Directors, may indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this ARTICLE XII.

Section 4. Indemnification of Other Persons. The Corporation, by adoption of a resolution of the Board of Directors, may indemnify and advance expenses to persons who are not or were not Directors, officers, employees, or agents of the Corporation but who are or were serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, limited liability company, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status as such a person to the same extent that it may indemnify and advance expenses to Directors and officers under this ARTICLE XII.

Section 5. Limitation. Notwithstanding any other provision of this ARTICLE XII to the contrary, the Corporation shall not provide indemnification to a person in respect of (i) the alleged medical malpractice of such person or (ii) the acts or omissions of such person in such person's personal capacity.

Section 6. Appearance as a Witness. The Corporation may pay or reimburse reasonable expenses incurred by a Director, Member, officer, employee, or agent of the Corporation in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

Section 7. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a Director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, limited liability company, partnership, joint venture, proprietorship, employee benefit plan, trust, or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under this ARTICLE XII.

Section 8. Liability of Directors. A Director of the Corporation shall not be liable to the Corporation for monetary damages for any act or omission in the Director's capacity as a Director, except that this ARTICLE XII does not eliminate or limit the liability of a Director for: (a) a breach of a Director's duty of loyalty to the Corporation; (b) an act or omission not in good faith or that constitutes a breach of duty of the Director to the Corporation, or an act or omission that involves intentional misconduct or a knowing violation of the law; (c) a transaction from

which a Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office; or (d) an act or omission for which the liability of a Director is expressly provided by an applicable statute.

If the Texas Miscellaneous Corporation Laws Act or the Act is amended to authorize action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by such statutes, as so amended. Any repeal or amendment of such statutes or of the foregoing paragraph shall not adversely affect any right of protection of a Director of the Corporation existing at the time of such repeal or amendment.

ARTICLE XIII

These Articles of Incorporation may be amended by the Member, provided, however, that any such amendment shall have received the prior approval of the U. T. System Executive Vice Chancellor for Health Affairs and Vice Chancellor and General Counsel.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 200__.

MEMBER

By: _____

Name: John Mendelsohn, M.D.

Title: President

The University of Texas

M. D. Anderson Cancer Center

Executing as the Corporation's

Sole Member

5. **U. T. M. D. Anderson Cancer Center: Authorization to acquire real property and improvements located at 6602 Mapleridge Road, Houston, Harris County, Texas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. acquire the real property and improvements located at 6602 Mapleridge Road, Houston, Harris County, Texas;
- b. submit a request to the Texas Higher Education Coordinating Board for approval of the transaction, if necessary; and
- c. authorize the Executive Vice Chancellor for Business Affairs, subject to review and approval by the Office of General Counsel, to execute documents, instruments, and other agreements, and to take all further actions, with the approval of the Office of General Counsel, deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center leases the subject property, Bellaire Cancer Treatment Center, to operate a radiation treatment center which provides radiation oncology consultations, treatment planning, and treatment for 25-30 patients per day. Monthly rent averages \$53,580, and is based on 25% of the Cancer Center's gross technical charges at the Bellaire Cancer Treatment Center. The lease will expire in December 2006, and calls for the landlord to make a gift of the property to U. T. M. D. Anderson Cancer Center at that time.

U. T. M. D. Anderson Cancer Center wishes to buy out the existing lease from the current owner, General Electric Company, for the appraised fair market value of \$760,000. When the lease is bought out, General Electric Company will gift the property to the institution. Because M. D. Anderson estimates the minimum amount to be paid for rent through December 2006 would be \$1,285,920, prepaying the lease now for the fair market value of the property and acquiring the property by gift from the landlord will generate a cost savings of approximately \$525,000 for the U. T. M. D. Anderson Cancer Center.

M. D. Anderson also wishes to acquire certain equipment, furniture, and other personal property owned by General Electric and associated with the Bellaire Cancer Treatment Center for its appraised fair market value of \$241,000.

The terms and conditions of this purchase are as reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Transaction Type:	Lease Buy-Out; Real Estate Gift/Acquisition
Property Type:	Radiation Treatment Clinic
Property Address:	6602 Mapleridge Road, Houston, Texas
Lessor/Owner:	General Electric Company
Contract Price:	\$760,000
Appraised Value:	\$760,000 (Thomas Bearden Company, 6/18/04)
Improvements:	5,062 square feet, Medical/Professional office
Construction:	Single story tilt-wall structure built in 1993
Property Size:	0.4913 acres (21,400 square feet)
Parking:	25 surface parking spaces, including rights under parking easement on adjacent land
<u>Equipment:</u>	Being purchased separately by U. T. M. D. Anderson Cancer Center from General Electric Company
Description:	Medical equipment, including linear accelerator, office furniture, and equipment
Contract Price:	\$241,000
Valuation:	Medical equipment - \$235,000 (Oncology Services International 3/18/04) Office furniture and equipment - \$6,000 (Shattuck & Associates Auctioneers 3/5/04)

6. **U. T. M. D. Anderson Cancer Center: Honorific naming of the Science Park veterinary facility near Bastrop, Texas, as The Michale E. Keeling Center for Comparative Medicine and Research**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Mendelsohn that the U. T. M. D. Anderson Cancer Center Science Park veterinary facility near Bastrop, Texas, be renamed The Michale E. Keeling Center for Comparative Medicine and Research.

BACKGROUND INFORMATION

The Department of Veterinary Sciences at the Bastrop site is known throughout the world for contributions to the field of laboratory animal science and comparative medicine. Its well-deserved reputation is due in large measure to the visionary leadership of the late Michale E. Keeling, D.V.M., who was the department's only full-time administrative director for almost three decades until his untimely death on December 21, 2003.

Dr. Keeling was a native Texan who earned two degrees from Texas A&M University. After joining the U. T. M. D. Anderson Cancer Center faculty, Dr. Keeling moved to the unbuilt Bastrop site in August 1974. A few months later, the Science Park's veterinary resource program was formally established to provide specialized animals needed for research. Over the years, 15 animal species ranging from mice to nonhuman primates have been bred and raised to support diverse biomedical research studies conducted in multiple departments at U. T. M. D. Anderson Cancer Center and 29 other institutions and agencies.

It was his creative approach to housing, breeding, and resocializing chimpanzees that earned Dr. Keeling an international reputation. In 1977, his proposal to protect the then-endangered chimpanzees was the first funded by the National Institutes of Health (NIH). Today, about 150 chimpanzees live at the Bastrop campus in social groups divided among seminatural compounds. The complex was expanded recently through a \$19 million NIH grant awarded in 2000 to enhance the program.

Throughout his career, Dr. Keeling had a profound influence on assuring that animals bred and used for biomedical research were cared for humanely. In addition to being active in organizations devoted to accrediting and regulating research animals, he was an advocate for appropriate use of animals to help scientists gain knowledge that continues to improve treatment and prevention of disease. He was a long-time member of the Council on Accreditation for the International Association for Assessment and Accreditation of Laboratory Animal Care. In addition, he served as president of the

Association of Primate Veterinarians, the American Society of Laboratory Animal Practitioners, and the Texas Branch of the American Association of Laboratory Animal Science. His bibliography included more than 50 scientific articles and 13 textbook chapters, and he shared two patents for innovative animal housing.

The proposal to rename the Bastrop veterinary facility has the enthusiastic support of U. T. M. D. Anderson Cancer Center faculty, employees, and members of Cattlemen for Cancer Research, an organization inspired by Dr. Keeling's desire to support bio-medical research and help patients access care provided by U. T. M. D. Anderson Cancer Center in Houston. In only five years, this coalition of volunteers from the agriculture and livestock industries has raised more than \$350,000 for research conducted at the Department of Veterinary Sciences and for assistance with travel expenses incurred by cancer patients from a five-county area in central Texas.

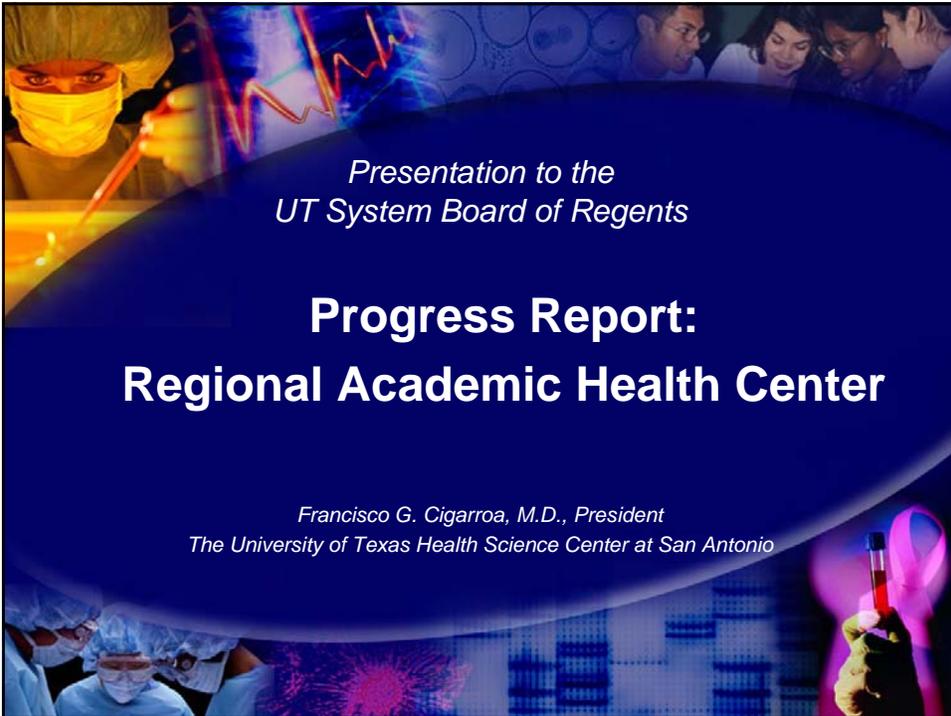
Dr. Keeling was a gifted administrator who was devoted to his profession and to the research-driven mission of U. T. M. D. Anderson Cancer Center. Renaming the Bastrop veterinary facility would honor his far-reaching contributions to the field of laboratory animal science and comparative medicine.

The proposed naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

7. **U. T. Health Science Center - San Antonio: Update on the Medical Education Division and the Medical Research Division of the Regional Academic Health Center**

REPORT

Dr. Cigarroa will make a presentation on the current status of the Medical Education Division and the Medical Research Division of the U. T. Health Science Center - San Antonio Regional Academic Health Center (RAHC) and the future goals using the PowerPoint presentation attached on Pages 52.1 - 52.10.



*Presentation to the
UT System Board of Regents*

Progress Report: Regional Academic Health Center

*Francisco G. Cigarroa, M.D., President
The University of Texas Health Science Center at San Antonio*

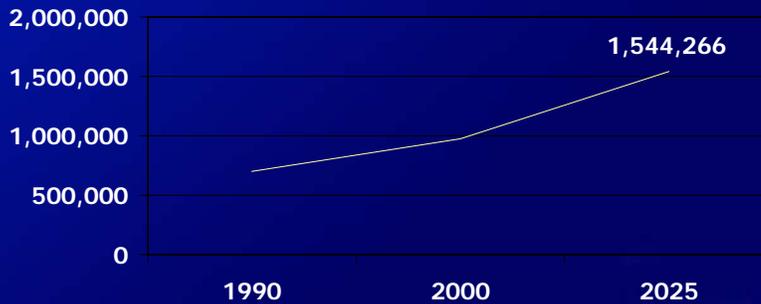
1997 – Texas Legislature authorizes the RAHC in order to ...

- Provide medical education
- Develop research programs
- Serve the Lower Rio Grande Valley (LRGV)



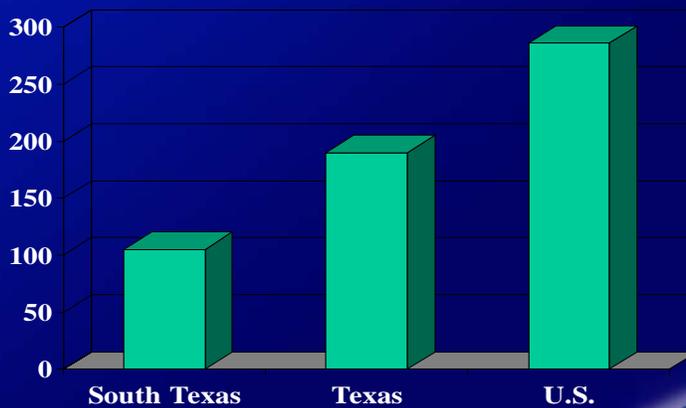
The LRGV is one of the fastest growing areas in the state ...

LRGV Population Growth



SOURCE: U.S. Bureau of the Census
Texas State Comptroller's Office (state projections)

Number of Physicians per 100,000 residents



RAHC Components

- Medical Education Division
(Harlingen):
UTHSC – San Antonio
- Medical Research Division
(Edinburg):
UTHSC – San Antonio
- Public Health Division
(Brownsville):
UTHSC – Houston



RAHC Medical Education Division



Building Dedication
June 2002



RAHC

Medical Education Division

- Extension Campus of UTHSCSA
- Based in Harlingen
- Provides training for:
 - 24 Full-Time 3rd-Year Medical Students
 - 24 Full-Time 4th-Year Medical Students
 - Primary Care Residents
- Serves community through Med/Ed and Mini Med School programs



Residency Programs



- Internal Medicine
 - 3-year program
 - Provides residents with comprehensive inpatient/outpatient skills in internal medicine
- Developing new programs in surgery, obstetrics/gynecology and psychiatry

RAHC Faculty



- 300 highly qualified community physicians
- Most are volunteers
- Throughout the Valley

First RAHC Graduates



First class of medical students trained at RAHC graduated in June 2004

First class of RAHC residents graduated in July 2004



RAHC Student Success



- 100% pass rate on Step 2 Board Exam
- 100% success in residency match
- Graduates secured residencies at nationally renowned institutions, including Mass General, Emory, Baylor College of Medicine, Univ. of Iowa

RAHC Clinical Partners



**Valley Baptist
Medical Center**



Su Clinica Familiar

RAHC Medical Research Division



Groundbreaking Ceremony
December 2002



Construction Progress
October 2004

RAHC Medical Research Division



- Located adjacent to UT Pan American
- Joint recruiting of scientists – RAHC and UT Pan American
- VP for Research – leveraging/collaborating research projects
- UT Pan American and UT Austin cooperative pharmacy program
- Joint programs with Harlingen and Edinburg RAHC Components

RAHC Medical Research Division

Areas of Research Emphasis:

- **Obesity/Diabetes/Nutrition** – Collaborating with Hispanic Nutrition Research Center
- **Infectious Diseases**– BSL 3 lab: MDR TB, Chlamydia, dengue fever
- **Genetic studies into mental illness** – Dr. Michael Escamilla – genetic predisposition in border population
- **Prostate Cancer Prevention Study** – Dr. Ian Thompson – nation's largest prostate cancer trial



Success in External Funding

Communities have already invested \$42.5 million.

We have also secured:

- Hispanic Nutrition Research Center – \$1.1 M (First of its kind in nation)
- Kleberg Medical Scholars Program – \$1.5 M
- Agency for Toxic Substances and Disease Registry (ATSDR) – \$400 K
- City of Edinburg – \$1 M



UTHSCSA, ATSDR join forces in environmental health education

Valley Council for Collaborations in Health Education, Research and Patient Care

- Consortium of presidents of UTHSC-San Antonio, UTHSC-Houston, UT Brownsville and UT Pan American
- Designed to improve collaboration and leverage funding opportunities

Kudos to Dr. Vela



**RAHC Regional Dean
Dr. Leo Vela**

Legendary Leadership



Dr. Mario Ramirez

The University of Texas Health Science Center at San Antonio Regional Academic Health Center: Educating the Future for a Healthier Texas



8. **U. T. Health Science Center - Houston: Update on the Public Health Division of the Regional Academic Health Center**

REPORT

Dr. Willerson will report on the current status of the Public Health Division of the U. T. Health Science Center - Houston Regional Academic Health Center (RAHC) and the future goals. Dr. García will also be asked to comment.



TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 11/4/2004

Austin, Texas

Board Meeting: 11/5/2004

Austin, Texas

John W. Barnhill, Jr., Chairman

H. Scott Caven, Jr.

Rita C. Clements

Robert A. Estrada

Woody L. Hunt

	Committee Meeting	Board Meeting	Page
Convene	3:30 p.m. <i>Chairman Barnhill</i>		
1. U. T. System: Consideration of designation as architecturally or historically significant the Stadium Fire and Life Safety/ Improvement Planning and Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I projects at U. T. Austin and selection of architects for preliminary design and feasibility analysis only, subject to final project approval by the U. T. Board of Regents, for Hotel and Conference Center at U. T. Austin and selection of architects for LBJ Plaza Renovation/Lady Bird Johnson Center project at U. T. Austin	3:35 p.m. Action <i>Mr. Sanders</i>	Not on Agenda	54
2. U. T. System: Report of FY 2004 Historically Underutilized Business (HUB) participation and procurement initiatives	3:45 p.m. Report <i>Mr. Sanders</i> <i>Ms. Brown</i>	Not on Agenda	55
3. U. T. Austin: Child Care Facility - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding sources; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	3:50 p.m. Action <i>Mr. Sanders</i>	Action	55
4. U. T. Austin: Jack S. Blanton Museum of Art - Phase I and Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; revise the total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure	3:55 p.m. Action <i>Mr. Sanders</i>	Action	58

	Committee Meeting	Board Meeting	Page
5. U. T. Medical Branch - Galveston: National Biocontainment Laboratory - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to decrease the total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>4:00 p.m.</i> Action <i>Mr. Sanders</i>	Action	59
6. U. T. Southwestern Medical Center - Dallas: Ambulatory Surgical Center - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>4:10 p.m.</i> Action <i>Mr. Sanders</i>	Action	62
7. U. T. Health Science Center - Houston: Replacement Research Facility - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>4:15 p.m.</i> Action <i>Mr. Sanders</i>	Action	64
8. U. T. San Antonio: Student Housing Expansion, Phase II - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>4:20 p.m.</i> Action <i>Mr. Sanders</i>	Action	67
9. U. T. San Antonio: Thermal Energy Plant No. 2 - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding source; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt	<i>4:25 p.m.</i> Action <i>Mr. Sanders</i>	Action	69

Adjourn

4:30 p.m.

1. **U. T. System: Consideration of designation as architecturally or historically significant the Stadium Fire and Life Safety/Improvement Planning and Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I projects at U. T. Austin and selection of architects for preliminary design and feasibility analysis only, subject to final project approval by the U. T. Board of Regents, for Hotel and Conference Center at U. T. Austin and selection of architects for LBJ Plaza Renovation/Lady Bird Johnson Center project at U. T. Austin**

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

- **Stadium Fire and Life Safety/Improvement Planning**
Proposed Project Cost: \$5,000,000
Source of funds: Revenue Financing System Bond Proceeds
- **Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I**
Proposed Project Cost: \$12,000,000
Anticipated Delivery Method: Competitive Sealed Proposals
Source of funds: Gifts
(See Item 5 on Page 24)

It is further recommended that the Committee approve the selection of architects from those listed below for the following architecturally significant projects:

U. T. Austin

- **Hotel and Conference Center** -- selection of architects for preliminary design and feasibility analysis only, subject to final project approval by the U. T. Board of Regents
(designated architecturally significant on February 3, 2004)
 - Lake/Flato Architects/HKS Architects, San Antonio, Texas/Dallas, Texas
 - Leo A Daly Company/RHOR Architects, Dallas, Texas/Atlanta, Georgia
 - tvs/Overland Partners, Atlanta, Georgia/San Antonio, Texas

(See Executive Session Item 3a on Table of Contents Page i of the Meeting of the Board and Academic Affairs Committee Item 3 on Page 23)

- **LBJ Plaza Renovation/Lady Bird Johnson Center**
(designated of “special interest” on May 12, 2004)

- Ford, Powell & Carson, San Antonio, Texas
- Lake/Flato Architects, San Antonio, Texas
- Overland Partners, Inc., San Antonio, Texas

2. **U. T. System: Report of FY 2004 Historically Underutilized Business (HUB) participation and procurement initiatives**

The report on Historically Underutilized Businesses (HUB) for Fiscal Year 2004 for building construction for the U. T. System is set forth below.

REPORT

The total expenditure for Building Construction and Other Facilities by the Office of Facilities Planning and Construction for Fiscal Year 2004 was approximately \$602,000,000. Of that amount, 24.3% was paid to Certified and Noncertified Historically Underutilized Businesses for a total of over \$146,000,000 paid to women and minority-owned businesses.

The total expenditure for Professional Services for Fiscal Year 2004 was approximately \$46,700,000. Of that amount, 20.3% was paid to Certified and Noncertified Historically Underutilized Businesses or approximately \$9,500,000 paid to women and minority-owned businesses.

This information will be forwarded for inclusion in the U. T. System Administration HUB Report to the State.

3. **U. T. Austin: Child Care Facility - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding sources; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Child Care Facility project at The University of Texas at Austin as follows on Page 56.

Project Number: 102-196

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: June 2006

Total Project Cost:	<u>Sources</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$2,850,000	\$3,000,000
	Interest on Local Funds		\$ 325,000
	Auxiliary Enterprises Balances		\$ 55,000
	Unexpended Plant Funds		\$ 15,000
			<u>\$3,395,000</u>

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost;
- b. revise the funding sources;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;
- e. appropriate funds and authorize expenditure of funds; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. 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 \$3,000,000.

BACKGROUND INFORMATION

Debt Service

The \$3,000,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$217,947. Debt service coverage on the project is expected to be at least 1.31 times.

Previous Board Actions

On February 4, 2004, the project was included in the CIP with a preliminary project cost of \$2,850,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The proposed facility of 15,000 gross square feet will allow U. T. Austin to provide child-care 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 child-care spaces to be available to the campus community. The project will provide space for classrooms, indoor activities, administrative offices, and other support space. In addition, the project will include 10,000 gross square feet for an exterior playground. The increase in the total project cost supports the programming for the project to provide a cost effective space and future needed expansion.

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

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. Austin: Jack S. Blanton Museum of Art - Phase I and II: Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; revise the total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Jack S. Blanton Museum of Art - Phase I and Phase II projects at The University of Texas at Austin as follows:

Project Number: 102-965 (Phase I) and 102-162 (Phase II)

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: June 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
Phase I	Revenue Financing System Bond Proceeds	\$26,500,000
	Gifts	<u>\$32,000,000</u>
		\$58,500,000
Phase II	Gifts	<u>Current</u>
		\$25,000,000
Revised Total Project Cost:		<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$26,500,000
	Gifts	\$52,200,000
	Interest on Local Funds	<u>\$ 4,800,000</u>
		\$83,500,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Jack S. Blanton Museum of Art – Phase I and Phase II projects;
- b. revise the total project cost;
- c. revise the funding sources; and
- d. appropriate funds and authorize expenditure of \$20,200,000 from Gifts and \$4,800,000 from Interest on Local Funds.

BACKGROUND INFORMATION

Previous Board Actions

Phase I: On August 1, 1995, the project was included in the CIP with a preliminary project cost of \$27,000,000 with funding from Gifts and Grants. On November 11, 1999, the Board approved the increase in preliminary project cost to \$58,500,000 with funding from Gifts and Grants. On February 14, 2002, the Board approved design development plans with a preliminary project cost of \$58,500,000 with funding from Gifts and Grants. On May 9, 2002, the Board approved revising the source of funding to \$32,000,000 from Gifts and Grants and \$26,500,000 from Designated Tuition. On November 13, 2002, the Board approved revising the source of funding to \$32,000,000 from Gifts and Grants and \$26,500,000 from Revenue Financing System Bond Proceeds.

Phase II: On February 13, 2003, the project was included in the CIP with a preliminary project cost of \$25,000,000 with funding from Gifts and Grants.

Project Description

The Phase I project will construct a new 108,500 gross square foot building to house the art museum and provide exhibition space for permanent as well as traveling exhibits. Also included will be space for the curation of the collection, storage space, administrative offices, and other support space. The Phase II project will provide approximately 50,000 gross square feet for facilities to complement the Phase I gallery space. Facilities in Phase II include educational space, a bookstore, a café, and administrative office space.

The combined project will complete the Blanton Museum of Art as envisioned in the original master plan.

5. **U. T. Medical Branch - Galveston: National Biocontainment Laboratory - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to decrease the total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Stobo that the U. T. Board of Regents approve the recommendations for the National Biocontainment Laboratory project at The University of Texas Medical Branch at Galveston as follows on Page 60.

Project Number: 601-164

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: May 2008

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 40,000,000	\$ 40,000,000
	Gifts	\$ 20,000,000	\$ 17,000,000
	Grants	<u>\$120,000,000</u>	<u>\$110,000,000</u>
		\$180,000,000	\$167,000,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to decrease the 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. Medical Branch - Galveston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$40,000,000.

BACKGROUND INFORMATION

Debt Service

The \$40,000,000 in Revenue Financing System debt will be repaid from indirect cost recoveries. Total annual debt service on the project is estimated at \$2,752,215. Debt service coverage on the project is expected to be at least 1.3 times.

Previous Board Actions

On January 7, 2003, the project was included in the CIP with a preliminary project cost of \$180,000,000 with funding of \$40,000,000 from Revenue Financing System Bond Proceeds, \$20,000,000 from Gifts, and \$120,000,000 from Grants.

Project Description

The project consists of approximately 180,000 gross square feet to contain a new seven-story, state-of-the-art biocontainment facility complex, including BSL-4, BSL-3 and BSL-2 laboratory space as well as associated animal facilities and research support space. The facility will allow for research on any number of known infectious diseases as well as emerging and new diseases in the future.

U. T. Medical Branch – Galveston retains and continues to recruit internationally recognized researchers to the strong infectious disease research program the campus has developed. To support the continuing efforts of this group and to provide the necessary facilities in support of the emerging federal program on bioterrorists' pathogens research, U. T. Medical Branch - Galveston has completed the first BSL-4 facility on campus and proposes construction of this new facility. The National Biocontainment Laboratory is a national initiative providing the opportunity for the institution to build on its unique strengths and to establish itself as the premier site for infectious disease research as well as to support national defense. With the completion of design development, the project budget has been finalized at \$167,000,000, a decrease from the original estimate of \$180,000,000.

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.

6. **U. T. Southwestern Medical Center - Dallas: Ambulatory Surgical Center - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents approve the recommendations for the Ambulatory Surgical Center project for The University of Texas Southwestern Medical Center at Dallas as follows:

Project Number: 303-194

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$62,400,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate 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. Southwestern Medical Center - Dallas, 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 \$62,400,000.

BACKGROUND INFORMATION

Debt Service

The \$62,400,000 in Revenue Financing System debt will be repaid from net revenues generated by the project. Total annual debt service on the project is estimated at \$5,098,376. Debt service coverage on the project is expected to be at least 1.18 times and average 1.52 times over the first six years of operation.

Previous Board Actions

On December 19, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$62,400,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The proposed Ambulatory Surgical Center project consists of an approximately 230,000 gross square foot, seven-story building and a 625 car parking garage. The building will initially include finished space totaling approximately 30,000 gross square feet.

The Ambulatory Surgical Center will include ambulatory surgical and procedure suites, diagnostic and treatment rooms including imaging, clinics, and physician offices. The building will be located on the west side of St. Paul University Hospital adjacent to Medical Center Drive, in conformance with the current Campus Master Plan.

This is the first project to move forward as part of the work envisioned in the Clinical Services Building that is currently on the Future Projects list at \$146,000,000. Working with the faculty and hospital partners, the immediate need has been identified to provide new space to conduct outpatient surgery. Presently, these procedures, including orthopedics, plastics, and gastrointestinal day procedures, are conducted primarily in the hospitals. With limited operating rooms, the work naturally competes for space causing delays in conducting the less acute procedures. This space limitation negatively impacts the practice, hospital operations, and patient satisfaction, a key goal of the patient service initiative. The conclusion of the combined hospital and practice management team, along with both university and private physicians, is that this new facility is vital to the combined operations.

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.

7. U. T. Health Science Center - Houston: Replacement Research Facility - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

RECOMMENDATION

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

Project Number: 701-160

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$23,600,000
	Gifts	\$ 9,330,000
	Insurance Claims	\$16,600,000
	Grants	<u>\$ 6,000,000</u>
		\$55,530,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate 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. 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 \$23,600,000.

BACKGROUND INFORMATION

Debt Service

Annual debt service on the \$23,600,000 of Tuition Revenue Bonds is project to be \$2,057,556. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Previous Board Actions

- Medical School Building – Rooftop Vivarium and Exterior Elevator:

On November 13, 2002, the Vivarium project was added to the Capital Improvement Program (CIP) with a preliminary project cost of \$38,000,000 with funding from Insurance Proceeds. On August 7, 2003, the Board approved appropriation of \$7,300,000 from Tuition Revenue Bond Proceeds for the Vivarium project.

- Basic Science Research Building (formerly Freeman Replacement Building):

On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$80,000,000.

On August 12, 2004, the projects were combined and the preliminary project cost and funding were revised to a preliminary project cost of \$55,530,000 with funding of \$23,600,000 from Tuition Revenue Bond Proceeds, \$9,330,000 from Gifts, \$16,600,000 from Insurance Claims, and \$6,000,000 from Grants.

Project Description

The Replacement Research Facility project is the first phase of the Institute of Molecular Medicine and will be a six-story building consisting of 208,000 gross square feet of laboratory and vivarium space. The Research Expansion Project will be Phase II of the Institute of Molecular Medicine. This building will replace the existing two-story John Freeman Building. In addition to highly flexible biotechnology laboratory and animal facilities, the building will house office space, mechanical rooms, and other support space.

The vivarium will occupy the top two floors with the bottom four floors being laboratory floors. There will be a dedicated loading dock for support of the vivarium facility and a mechanical penthouse.

The 78th Session of the Texas Legislature authorized \$64,900,000 of tuition revenue bonds to be issued for U. T. Health Science Center – Houston to be issued for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,600,000 is being allocated to for the Replacement Research Facility project. The use of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. 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.

8. **U. T. San Antonio: Student Housing Expansion, Phase II - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendations for the Student Housing Expansion, Phase II project at The University of Texas at San Antonio as follows:

Project Number: 401-211

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$27,000,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate 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 \$27,000,000.

BACKGROUND INFORMATION

Debt Service

The \$27,000,000 in Revenue Financing System debt will be repaid from overall housing system revenues. Total annual debt service on the project is estimated at \$1,857,746. Debt service coverage on the project is expected to be at least 1.3 times.

Previous Board Actions

On August 7, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$20,500,000 with funding from Revenue Financing System Bond Proceeds. On August 12, 2004, the total project cost was increased to \$27,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The Student Housing Expansion, Phase II project at U. T. San Antonio will consist of apartment style residences, with 700 beds. The facility will be designed to incorporate shared living spaces, meeting rooms, lounges, and study rooms.

U. T. San Antonio is expanding its student housing. The Student Housing Phase I project will provide housing for approximately 1,000 students with scheduled occupancy for the Fall Semester 2004. The waiting list currently stands at 500 students. The Student Housing Phase II project is scheduled for occupancy for the Fall Semester 2006 providing housing for 700 students. A future Phase III project is anticipated for Fall Semester 2007 adding an additional 1,200 beds. With future growth, the plan for the campus is to house 6,000 students.

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.

9. U. T. San Antonio: Thermal Energy Plant No. 2 - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding source; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendations for the Thermal Energy Plant No. 2 project at The University of Texas at San Antonio as follows:

Project Number: 401-177

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Designated Tuition	\$8,000,000	
	Revenue Financing System Bond Proceeds		\$16,500,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost;
- b. revise the funding source;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;
- e. appropriate funds and authorize expenditure of funds; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project’s cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the

Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. 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 \$16,500,000.

BACKGROUND INFORMATION

Debt Service

The \$16,500,000 in Revenue Financing System debt will be repaid from designated tuition. Total annual debt service on the project is estimated at \$1,135,289. Overall debt service coverage at U. T. San Antonio is projected to exceed 1.69 times.

Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$8,000,000 with funding from Designated Tuition.

Project Description

This new thermal energy plant will contain approximately 15,000 gross square feet and will provide chilled water, steam and emergency power for upcoming campus projects on the UTSA 1604 Campus. In accordance with the master plan update, the new thermal energy plant will be located on the south side of campus and will support the following new projects: University Center Expansion, Phase III; Biotechnology, Sciences and Engineering, Phase II; and the Recreation/ Wellness Center, Phase II. The thermal energy plant will be connected to the existing campus utilities loop, and will be designed for future expansion.

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.



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

Committee Meeting: 11/5/2004
Austin, Texas

Judith L. Craven, M.D., Chairman
John W. Barnhill, Jr.
Rita C. Clements
Robert A. Estrada
Woody L. Hunt
Ms. Sandee Goertzen, Chair, Employee Advisory Council
Dr. James Bartlett, Chair, Faculty Advisory Council
Mr. Josh Warren, Chair, Student Advisory Council

	Committee Meeting	Page
Convene	<i>8:00 a.m.</i> <i>Chairman Craven</i>	
1. U. T. System: Recruitment, Retention, and Promotion of Women and Underrepresented Groups	Discussion	71
Adjourn	<i>9:25 a.m.</i>	

1. **U. T. System: Recruitment, Retention, and Promotion of Women and Underrepresented Groups**

PURPOSE

A discussion will be held to encourage dialogue between the presidents and members of the Student, Faculty, and Staff Campus Life Committee about successful programs related to the recruitment, retention, and promotion of women and underrepresented groups in faculty and senior staff positions.

KEY POINTS/POLICY ISSUES

The Student, Faculty, and Staff Campus Life Committee will focus on successful programs related to the recruitment and retention of faculty, staff, and students including:

- a. Programmatic initiatives and any other strategies implemented on campus to enhance the recruitment, retention, and promotion of women and underrepresented groups in faculty and senior staff positions.
- b. Strategies employed on campus to foster an environment that values and actively supports an inclusive University community and ensure that each campus provides a positive, supportive, and welcoming environment for women and individuals from underrepresented communities.
- c. Examples of ideas initiated by the campus women and minority committees that have successfully integrated into institutional priorities.

M. RECONVENE AS COMMITTEE OF THE WHOLE

N. OTHER MATTER

**U. T. Board of Regents: Presentation of certificate of appreciation to
President Jenifer**

O. ADJOURN