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February 11-12, 2009  
Austin, Texas

### Wednesday, February 11, 2009

#### COMMITTEE MEETINGS

Academic Affairs Committee 9:00 a.m.

Health Affairs Committee 10:30 a.m.

#### Concurrent

Audit, Compliance, and Management Review Committee 11:30 a.m.  
(Conference Room, Ashbel Smith Hall, 9<sup>th</sup> Floor)

Student, Faculty, and Staff Campus Life Committee

A. CONVENE THE BOARD IN OPEN SESSION TO RECESS 12:30 p.m.  
TO EXECUTIVE SESSION PURSUANT TO TEXAS Chairman Caven  
GOVERNMENT CODE, CHAPTER 551 (working lunch)

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

a. **U. T. Health Science Center – San Antonio:** Dr. Shine  
**Discussion of individual personnel matters  
related to presidential search**

b. **U. T. Austin: Discussion and appropriate action** President Powers  
**regarding proposed change in employment  
terms, compensation, and title for Assistant  
Football Coach William L. Muschamp**

c. **U. T. System: Discussion and appropriate action**  
**regarding individual personnel matters relating  
to appointment, employment, evaluation,  
compensation, assignment, and duties of  
presidents (academic and health institutions),  
U. T. System Administration officers (Executive  
Vice Chancellors and Vice Chancellors), other  
officers reporting directly to the Board  
(Chancellor, General Counsel to the Board, and  
Chief Audit Executive), and U. T. System and  
institutional employees**

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
  - a. **U. T. System Board of Regents/U. T. Medical Branch – Galveston: Briefing on lawsuit titled Sandor, Puccetti, Lecornu, the Texas Faculty Association vs. The University of Texas System et al. and discussion of legal strategy** *Mr. Burgdorf*
  - b. **U. T. System Board of Regents: Discussion with Counsel regarding legal matters** *Mr. Burgdorf*
3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073
  - a. **U. T. Austin: Discussion and appropriate action regarding a proposed negotiated gift with potential naming feature** *Dr. Safady  
President Powers*
  - b. **U. T. Medical Branch – Galveston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features** *Dr. Safady  
President Callender*
- B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY *1:20 p.m.*
- C. RECESS FOR COMMITTEE MEETINGS *1:30 p.m.*
  - Finance and Planning Committee *1:30 p.m.*
  - Facilities Planning and Construction Committee *2:30 p.m.*
- D. CONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEM *3:30 p.m.  
Chairman Caven*
1. **U. T. Medical Branch – Galveston: Discussion and appropriate action related to the review of clinical operations and recommendations on redevelopment and strategic direction** *3:30 p.m.  
Dr. Shine  
President Callender  
Mr. Sherman T. Moore,  
Principal, and  
Mr. Michael T. Gavin,  
Manager, Kurt  
Salmon Associates* **1**
- E. RECESS *5:00 p.m.*

Thursday, February 12, 2009

	<b>Board/Committee Meetings</b>	<b>Page</b>
<b>COMMITTEE MEETINGS</b>		
Special Health Affairs Committee	9:00 a.m.	
F. RECONVENE THE BOARD IN OPEN SESSION	10:00 a.m.	
G. APPROVAL OF MINUTES		
H. CONSIDER AGENDA ITEMS		
2. <b>U. T. System Board of Regents: Presentation by Cooper, Robertson &amp; Partners, L. L. P., regarding the status of work on the master planning project for the Brackenridge Tract</b>	10:02 a.m. <b>Report</b> <i>Mr. Paul Milana and Dr. David McGregor, Cooper Robertson Ms. Mayne</i>	<b>2</b>
3. <b>U. T. System Board of Regents: Report on the plan for the permanent dedication of potential revenue realized from the development of the Brackenridge Tract</b>	10:32 a.m. <b>Report</b> <i>President Powers Dr. Prior</i>	<b>6</b>
4. <b>U. T. System Board of Regents: Amend Regents' Rules and Regulations, Rule 31008, regarding termination of a faculty member</b>	10:42 a.m. <b>Action</b> <i>Dr. Prior Mr. Sharphorn</i>	<b>6</b>
5. <b>U. T. System Board of Regents: Recommendation for authorization for the Board of Regents to serve as trustee of charitable lead trusts that benefit U. T. System institutions</b>	10:45 a.m. <b>Action</b> <i>Dr. Safady Mr. Burgdorf</i>	<b>13</b>
6. <b>U. T. System Board of Regents: Approval of proposed tuition rates for all undergraduate and graduate School of Nursing students for Fiscal Year 2010</b>	10:50 a.m. <b>Action</b> <i>Dr. Shine Dr. Prior</i>	<b>14</b>
7. <b>U. T. System Board of Regents: Reappointment of Mr. J. Philip Ferguson and Mr. Ardon E. Moore to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)</b>	11:00 a.m. <b>Action</b> <i>Chairman Caven Vice Chairman Rowling</i>	<b>21</b>
8. <b>U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Approval to settle commercial insurance claims associated with Hurricane Ike and authorization for the Chancellor to execute final settlement documents</b>	11:02 a.m. <b>Action</b> <i>Mr. Dendy</i>	<b>21</b>

**Thursday, February 12, 2009** (continued)

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|-----|---|---|-----------|
| 9.  | <b>U. T. System: Authorization to execute a Memorandum of Understanding with the United States Department of Agriculture Natural Resources Conservation Service to provide technical assistance for the improvement and protection of soil, water, and other natural resources on Permanent University Fund lands</b> | <i>11:05 a.m.</i><br><b>Action</b><br><i>Dr. Kelley</i> | <b>23</b> |
| 10. | <b>U. T. System: Report on development performance for the U. T. System institutions</b>  | <i>11:08 a.m.</i><br><b>Report</b><br><i>Dr. Safady</i> | <b>28</b> |
| 11. | <b>U. T. System Board of Regents: Discussion regarding enhanced academic efficiency and productivity</b>  | <i>11:18 a.m.</i><br><b>Report</b><br><i>Dr. Prior</i>  | <b>28</b> |
| I.  | RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD   |   |           |
|     | Audit, Compliance, and Management Review Committee:<br>Chairman Foster  | <i>11:50 a.m.</i>                                       |           |
|     | Finance and Planning Committee: Chairman Rowling  |   |           |
|     | Academic Affairs Committee: Chairman Barnhill   |   |           |
|     | Health Affairs Committee: Chairman McHugh   |   |           |
|     | Facilities Planning and Construction Committee:<br>Chairman Huffines  |   |           |
| J.  | RECONVENE AS A COMMITTEE OF THE WHOLE TO ADJOURN  | <i>12:15 p.m.</i>                                       |           |

1. **U. T. Medical Branch – Galveston: Discussion and appropriate action related to the review of clinical operations and recommendations on redevelopment and strategic direction**

DISCUSSION

Chancellor Cigarroa, Executive Vice Chancellor Shine, and President Callender will lead a discussion concerning options identified by Kurt Salmon Associates (KSA) to provide for the strategic direction of the clinical enterprise of The University of Texas Medical Branch at Galveston (UTMB). Representatives of KSA will be present for this discussion. Dr. Callender will provide institutional comments on the various proposed options.

President Callender has been asked to coordinate an opportunity for public comment in Galveston on the suggested options preliminary to a special called meeting of the Board to consider action to select and implement needed future actions to assure a viable future for UTMB.

Chairman Caven has appointed a special Task Force of Vice Chairman Huffines, Regent McHugh, and Regent Longoria to be on the UTMB campus on February 20, 2009, to hear the public comments.

BACKGROUND INFORMATION

Following the aftermath of Hurricane Ike, the U. T. System engaged KSA, a leading national health care consulting group, to review the impact of the storm on the clinical operations of UTMB and to make recommendations on how best to redevelop this aspect of UTMB.

KSA will present options for redevelopment of UTMB to the Board of Regents.

2. **U. T. System Board of Regents: Presentation by Cooper, Robertson & Partners, L. L. P., regarding the status of work on the master planning project for the Brackenridge Tract**

REPORT

Mr. Paul Milana, Partner-in-Charge, and Dr. David McGregor, Project Director, will lead a presentation by the master planning team assembled by Cooper, Robertson & Partners, L. L. P., to update the Board on work to date on the master planning project for the Brackenridge Tract.

**Supplemental Materials: PowerPoint presentation is on Pages 1 - 96 of Volume 2.**

BACKGROUND INFORMATION

Cooper, Robertson & Partners, L. L. P. (Cooper Robertson), selected by the U. T. System Board of Regents on March 26, 2008, has entered the second phase of its work to develop a minimum of two conceptual master plans for the approximately 350-acre Brackenridge Tract in Austin, Texas. Because of the extensive scope of the work, the firm has divided the work into two phases: Analysis and Conceptual Plans.

Since March 2008, Cooper Robertson and its subcontractors have conducted numerous studies and analyses, including land surveys, traffic analyses, environmental analyses, and market analyses. In addition, and as directed by the Board of Regents, Cooper Robertson has been engaged in continuous and extensive efforts to provide opportunities for interested parties and groups to provide input.

As previously reported to the Board on August 14, 2008, Cooper Robertson conducted a public listening session on June 25, 2008, and a public informational session on August 12, 2008. The public listening session gave interested individuals an opportunity to express their concerns and interests; the public informational session gave Cooper Robertson and its team of subcontractors an opportunity to share with the public the results of the analyses to date.

During the week of November 3 through 7, 2008, Cooper Robertson conducted a series of workshops and public meetings to continue to offer opportunities to the public to provide input. At the outset of that week, Cooper Robertson provided to the public the draft Design Principles, which appear on Pages 3 - 4. Cooper Robertson also held three work sessions during the week to give the public an opportunity to give input on various design scenarios for the tract.

In addition to the public sessions, Cooper Robertson has continued its collaborative planning efforts with U. T. Austin, engaging student housing representatives and Brackenridge Field Laboratory representatives. The firm has also met with

representatives of the U. T. Austin student and faculty councils and with numerous public and governmental officials and interested members of the public.

Collaborative planning efforts will continue in 2009, as the firm moves into the conceptual planning phase of the project. As previously scheduled, conceptual plans will be presented to the Board of Regents in June 2009.

DRAFT DESIGN PRINCIPLES  
PREPARED BY COOPER, ROBERTSON & PARTNERS, L. L. P.

*Legacy*

*Honor the intent of Colonel Brackenridge's gift that the land be used "in trust for the University of Texas" at Austin for the "purpose of advancing and promoting University education" and preserve opportunities for future University uses on the Tract.*

*Context and Compatibility*

*Recognize and respond to the Tract's context within the City of Austin as a part of the City's waterfront and to the context of the West Austin neighborhood by respecting the character of its edges with appropriate land uses, building scale, landscape, and traffic mitigation.*

*Place Making and Public Realm*

*Conceive the Tract as a distinct and integrated whole, greater than the sum of its parts, organized as a collection of walkable neighborhoods with an integrated system of streets, trails, and freely accessible, usable open space, collectively known as the public realm.*

*Compact Development*

*Employ compact development strategies that maximize open space, embody a hierarchy of experiences, and encourage mixed-use, pedestrian friendly and vibrant areas that will characterize the Tract within the region, the city, and the vicinity.*

*Ecology and Environment*

*Celebrate the lakefront and other significant natural features of the Tract, such as its creek and mature trees, by organizing a larger open space system about these elements, while embracing the best methods and practices to ensure their preservation and to support the regional ecology.*

*Transportation and Connectivity*

*Recognize that transportation solutions are achieved at a city-wide scale, but design to minimize neighborhood traffic impacts by providing additional connections that reduce the dependence upon Enfield Road and Exposition, by mixing uses to capture otherwise off-site trips, and by planning for future transit options. Incorporate a hike and bike system that is interconnected to upland pathways.*

*Sustainability*

*Plan the future of the Tract based on a holistic approach to sustainability which considers social and economic, as well as natural, systems and resources, building upon the strengths of the past and what exists today while preserving options for future generations.*

*Feasibility, Flexibility, and Economic Viability*

*Develop an economically feasible plan that can be phased over time, be flexible to changing markets and conditions, and generate income from the Tract, using sound planning principles, to support the educational mission of the University while contributing positively to the community.*

A map depicting current uses on the Tract appears on Page 5.



# BRACKENRIDGE TRACT

Total Remaining Acreage: Approximately 345 Acres

3. **U. T. System Board of Regents: Report on the plan for the permanent dedication of potential revenue realized from the development of the Brackenridge Tract**

REPORT

President Powers will present an oral report on the plan for the permanent dedication of potential revenue realized from the proposed development of the Brackenridge Tract.

BACKGROUND INFORMATION

The Board's action on March 26, 2008, concerning the selection of a master planning firm for the Brackenridge Tract contained the additional requirement that U. T. System staff, working with U. T. Austin staff, return to the Board within the next 12 months with a plan for the permanent dedication of potential revenue realized from the development of the Brackenridge Tract to the benefit of faculty, graduate students, and undergraduate students at U. T. Austin, with examples of such uses to include, but not be limited to, recruitment and retention of faculty and funding of academic programs and essential services for students.

4. **U. T. System Board of Regents: Amend Regents' Rules and Regulations, Rule 31008, regarding termination of a faculty member**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 31008, regarding termination of a faculty member be amended as set forth in congressional style on Pages 7 - 12.

BACKGROUND INFORMATION

The proposed amendments to the Regents' *Rules and Regulations*, Rule 31008, will streamline the process by which faculty terminations are currently accomplished. Proposed deletions eliminate a step in the process, allowing evidence to be obtained before decisions are considered by the president. Academic and health presidents, along with the U. T. System Faculty Advisory Council, were consulted on the proposed changes.

1. Title

Termination of a Faculty Member

2. Rule and Regulation

Sec. 1 Termination for Good Cause. Termination by an institution of the employment of a faculty member who has been granted tenure and of all other faculty members, before the expiration of the stated period of appointment, except as is otherwise provided in Rule 31007, Section 5, and *Texas Education Code* Section 51.943, or by resignation or retirement, will be only for good cause shown. Faculty member, as used in this section, includes a professional librarian with an academic title. In each case the issue of good cause will be determined according to the equitable procedures provided in this Section.

Sec. 2 Review of Allegation. The president of the institution (the president) shall assure that all allegations against a faculty member that involve the potential for termination are reviewed under the direction of the chief academic officer unless another officer is designated by the president. The faculty member who is the subject of the allegations shall be given an opportunity to be interviewed and shall have the right to present a grievance, in person or through a representative, to the chief academic officer on an issue or subject related to the allegations under review. The chief academic officer or another individual designated by the president if the allegations pertain to the chief academic officer shall take the grievance, if any, into consideration prior to making a determination whether the allegations are supported by evidence that constitutes good cause for justifies the initiation of termination procedures. Upon making that determination, the chief academic officer or other appropriate designee will recommend to the president whether to proceed with charges for termination. Failure to present a grievance to the chief academic officer or other appropriate designee prior to his or her recommendation shall not preclude a faculty member from presenting an issue or subject to the special hearing tribunal in defense of charges for termination that may result from the review. A tenured faculty member who is recommended for termination on the basis of periodic evaluation must be given the opportunity for referral of the matter to nonbinding alternative dispute resolution, as required by *Texas Education Code* Section 51.942 and in compliance with applicable policies and procedures for alternative dispute

resolution within The University of Texas System or any of ~~the~~ ~~its~~ institutions, prior to referral of the charges to a hearing tribunal under Section 4 of this Rule.

Sec. 3 Response to Allegation. If the president ~~of the institution~~ determines that the allegations are supported by evidence that ~~constitutes good cause for~~ justifies the initiation of termination procedures, the president will meet with the faculty member, explain the allegations and supporting evidence, and give the faculty member a reasonable amount of time, as determined by the president, to respond either orally or in writing. In cases of incompetency or gross immorality, where the facts are admitted, or in cases of felony conviction, the hearing procedures of Section 4 of this Rule shall not apply, and dismissal by the president will follow.

Sec. 4 Hearings Tribunal. In cases where other offenses are charged, and in all cases where the facts are in dispute, the accused faculty member will be informed in writing of the charges. If the president ~~of the institution~~ determines that the nature of the charges and the evidence are such that it is in the best interest of the institution, the accused faculty member may be suspended with pay pending the completion of the hearing and a final decision ~~by the Board of Regents~~. A special hearing tribunal of at least three faculty members will hear the charges. The academic rank of each member of the tribunal must be at least equal to that of the accused faculty member. The accused faculty member will be notified of the names of the faculty members selected for the tribunal and of the date, time, and place for the hearing. Such notification shall be made at least eight ~~working~~ ing days prior to the hearing. The hearing tribunal members are appointed by the president from a standing panel (pool) of members of the faculty. At least 50% of the panel members from which the hearing tribunal members are appointed shall be selected by a procedure established by the faculty governance organization, an existing faculty committee with oversight for university-wide faculty committee selection. The president ~~of an institution~~ shall appoint the remaining members of the panel. A minimum of one member of a hearing tribunal appointed by a president is to be from among panel members selected by the faculty input, existent faculty committee or faculty governance procedure. The president may request counsel from the System Administration's Office of General Counsel to advise the hearing tribunal.

- 4.1 Right to Cross-examine. In every such hearing the accused faculty member will have the right to appear in person and by counsel of the accused's selection and to confront and cross-examine witnesses who may appear. If counsel represents the accused faculty member, the institution is entitled to be represented by counsel from System Administration's Office of General Counsel.
- 4.2 Right to Testify. The accused faculty member shall have the right to testify, but may not be required to do so. He or she may introduce in his or her behalf all evidence, written or oral, which may be relevant and material to the charges.
- 4.3 Record of Proceeding. A stenographic or electronic record of the proceedings will be taken and filed with the Board of Regents, and such record shall be made accessible to the accused.
- 4.4 Burden to Prove Good Cause. A representative of the institution may appear before the hearing tribunal to present witnesses and evidence in support of the charge against such faculty member, and such institutional representatives shall have the right to cross-examine the accused faculty member (if the faculty member testifies) and the witnesses offered in behalf of the faculty member. The institution has the burden to prove good cause for termination by the greater weight of the credible evidence.
- 4.5 Make-up of Hearing Tribunal. The hearing tribunal shall not include any accuser of the faculty member. If the accused faculty member is not satisfied with the fairness or objectivity of any member or members of the hearing tribunal, the faculty member may challenge the alleged lack of fairness or objectivity, but any such challenge must be made in writing to the hearing tribunal at least three workdays prior to the date for the hearing. The accused faculty member shall have no right to disqualify any member or members from serving on the tribunal. It shall be up to each challenged member to determine whether he or she can serve with fairness and objectivity in the matter, and if any challenged member should voluntarily disqualify himself or herself, the president ~~of an institution~~ shall appoint a substitute member of the

tribunal from the panel described in Section 4 of this Rule.

4.6 Findings and Recommendations. The hearing tribunal, by a majority of the total membership, will make written findings on the material facts and will make a recommendation of the continuance or termination of the accused faculty member. The hearing tribunal, by a majority of its total membership, may make any supplementary suggestions it deems proper concerning the disposal of the case. The original of such findings and the recommendation, with any supplementary suggestions, shall be delivered to the ~~president Board of Regents~~ and a copy to the accused. If minority findings, recommendations, or suggestions are made, they shall be similarly treated. The original transcript of the testimony and the exhibits shall also be forwarded to the ~~president Board~~.

4.7 President's Report. Within fourteen (14) workdays after receipt of the findings and recommendations of the hearing tribunal, the president shall make one of the following decisions based solely on the evidence of record in the proceedings and report that decision in writing to the accused faculty member:

(a) The president may decide to dismiss the matter or impose sanctions short of termination. In this case, the president's decision is final and the Board of Regents will not review the matter.

(b) If the allegations are supported by evidence that constitutes good cause for termination, the president may decide to recommend termination to the Board of Regents. If so, the president shall forward the findings and recommendations of the hearing tribunal, the original transcript of the testimony and the exhibits to the Board of Regents for its review, along with the president's report. If the president's recommendation is not the same as the majority recommendation of the hearing tribunal, the president shall state the reasons for the president's decision to recommend termination in his or her report. The accused faculty member may, within seven workdays after receiving the president's

report, submit a written response to the Board of Regents. The response must be based solely on the evidence of record in the proceeding.

- Sec. 5 Board Review. The Board of Regents, by a majority of the total membership, will approve, reject, or amend such findings, recommendations, and suggestions, if any, or will recommit the report to the same tribunal for hearing additional evidence and reconsidering its findings, recommendations, and suggestions, if any. Reasons for approval, rejection, or amendment of such findings, recommendations, or suggestions will be stated in writing and communicated to the accused.
- Sec. 6. Reasons for Termination Not Required. Full-time faculty members who are notified in accordance with Rule 31002, Section 1 of the Regents' *Rules and Regulations*, concerning notice of nonrenewal, that they will not be reappointed or who are notified in accordance with Rule 31007, Section 5 and Rule 31002, Sections 1 and 2 that the subsequent academic year will be the terminal year of appointment shall not be entitled to a statement of the reasons upon which the decision for such action is based. Such a decision shall only be subject to review pursuant to the following procedures:
- 6.1 Grievance. The affected faculty member may present a grievance, in person or through a representative, to the chief academic officer or another individual designated by the president if the allegations pertain to a chief academic officer on an issue or subject related to the nonrenewal decision. The chief academic officer shall meet with the faculty member. Unless a review by a hearing tribunal is requested and granted, pursuant to Section 6.2 below, the nonrenewal decision shall not be subject to further review.
- 6.2 Hearing Tribunal to Hear Grievance. A review by a hearing tribunal shall be granted only in those cases where the affected faculty member submits a written request for review by a hearing tribunal to the president ~~of an institution~~ and describes in detail the facts relied upon to prove that the decision was made for reasons that are unlawful under the Constitution or laws of Texas or the United States. If the president determines that the alleged facts, if proven by credible evidence, support a conclusion that the decision was made for unlawful

reasons, such allegations shall be heard by a hearing tribunal under the procedures in Rule 31008, Section 1 as in the case of dismissal for cause, with the following exceptions:

- (a) The burden of proof is upon the affected faculty member to establish by the greater weight of the credible evidence that the decision in question was made for reasons that are unlawful under the Constitution or laws of Texas or the United States.
- (b) The administration of the institution need not state the reasons for the questioned decision or offer evidence in support thereof unless the affected faculty member presents credible evidence that, if unchallenged, proves the decision was made for unlawful reasons.
- (c) The hearing tribunal shall make written findings and recommendations based on the evidence presented at the hearing and shall forward such findings and recommendations with the transcript and exhibits from the hearing to the president.
- (d) The president may approve, reject, or amend the recommendations of the hearing tribunal or may reach different conclusions based upon the record of the hearing. The decision of the president shall be final.

### 3. Definitions

None-Faculty Member – a faculty member is any individual holding an academic title listed in Regents' *Rules and Regulations*, Rule 31001, Section 2, with the exception of Assistant Instructors, Teaching Associates, and Teaching Assistants.

5. **U. T. System Board of Regents: Recommendation for authorization for the Board of Regents to serve as trustee of charitable lead trusts that benefit U. T. System institutions**

**RECOMMENDATION**

The Vice Chancellor for External Relations and the Vice Chancellor and General Counsel recommend, and the Chancellor concurs, that authorization be granted for the Board of Regents to serve as trustee of charitable lead trusts that benefit U. T. System institutions.

It is proposed that the Board may serve as trustee of a charitable lead trust if the Board, for benefit of U. T. System Administration or a U. T. System institution, is named a 50 percent or more irrevocable income beneficiary of the trust and the trust assets are comprised of cash and/or marketable securities valued at a minimum of \$2,000,000. For each such charitable lead trust, the Board would reserve the right to negotiate the type of lead trust to be used, the payout rate, the trust terms, and the total number of charitable beneficiaries. Additionally, the Board would reserve the right to charge reasonable fees for acting as trustee and administering the trust.

**BACKGROUND INFORMATION**

The Board may currently be designated as a beneficiary of a charitable lead trust; however, the U. T. System Gift Acceptance Procedures do not allow the Board to serve as trustee. Charitable lead trusts provide distributions to one or more qualified charities for a certain period of time, after which the charitable interest terminates and the trust remainder reverts to a designated beneficiary. These trusts are particularly attractive in the current economic climate when interest rates are low, because they reduce the value of the remainder interest for gift and estate tax purposes.

Several U. T. institutions have requested that planned giving options be expanded to facilitate charitable giving opportunities. As a result of this request, the U. T. System Office of External Relations surveyed a number of public and private peer institutions to determine their policies on serving as trustees of charitable lead trusts. The criteria recommended above are based on the information obtained from peer institutions.

The Office of General Counsel advised that the *Texas Education Code* provides legal authority for the Board to serve as trustee of charitable lead trusts and that there is no inherent conflict of interest with other beneficiaries when one beneficiary serves as trustee since such beneficiary is a fiduciary with a high standard of duty to the other beneficiaries under Texas law. This is the case where the Board serves as trustee of charitable remainder trusts and the same will be the case in situations where the Board serves as trustee of a charitable lead trust. The administration of charitable lead trusts is more complicated than the administration of charitable remainder trusts and requires more time and the filing of additional tax returns. Thus, it is recommended that the Board be able to charge reasonable trustee fees.

Allowing the Board of Regents to serve as trustee of charitable lead trusts would provide a value-added service to U. T. System institutions and donors. Upon approval, the U. T. System Gift Acceptance Procedures (U. T. System Administration Policy UTS 138) will be amended to reflect this authorization, and any proposed arrangement for the Board to serve as trustee of a charitable lead trust would be reviewed, accepted, and administered in accordance with delegations set out in Regents' *Rules and Regulations*, Rules 10501 and 60101.

If this recommendation is approved, the Office of External Relations, the Office of General Counsel, and UTIMCO will continue to develop the details associated with this service.

6. **U. T. System Board of Regents: Approval of proposed tuition rates for all undergraduate and graduate School of Nursing students for Fiscal Year 2010**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs that the U. T. System Board of Regents approve the proposed tuition and fee rates for U. T. System nursing schools for Fiscal Year 2010 as originally submitted to the Board of Regents on March 26, 2008.

**BACKGROUND INFORMATION**

In March 2008, the Board of Regents approved proposed tuition and fees for Fiscal Years 2009 and 2010, but approved tuition increases for nursing students for only Fiscal Year 2009. The Board had a desire to reevaluate "the need for the U. T. System nursing schools' tuition increases for Fall 2009 as changes occur in State revenue allocation for the next biennium."

The proposed tuition and fee rates for the Schools of Nursing submitted for consideration at the March 2008 meeting are consistent and within the guidelines established by the Board of Regents for the tuition and fee proposals for both Fiscal Years 2009 and 2010.

The Board of Regents directed that tuition and fee increases for Fiscal Years 2009 and 2010 be limited to 4.95 percent, or \$150 per semester, whichever is greater. Additionally, a minimum of 20 percent of the increases was to be used for financial aid.

Clarifications to the tuition and fee approvals presented to the Board of Regents on March 26, 2008 included:

- Application to all undergraduate programs, including both academic and health.
- For health institutions, the 4.95 percent or \$150 per semester is based on tuition and mandatory fees for the specific academic program.
- For academic institutions, total academic costs include tuition, mandatory fees, and average course and academically-related fees.
- The base amount for tuition and fees is the total academic costs submitted to the State Comptroller for the designated tuition report.
- The 4.95 percent or \$150 per semester is applied in two ways. The increase in total academic costs for resident undergraduates taking 15 hours must not exceed the cap. Second, the weighted average of all tuition increases may not exceed the 4.95 percent cap.
- In the case of differential tuition by majors for academic institutions, the weighted average of tuition and fees charged to all undergraduates is used.
- New fees proposed and approved via referendum by students and by the legislature are allowed above the cap.

Additional clarifications were made concerning graduate and professional tuition increases proposed in March 2008. These clarifications were:

- Graduate tuition increases are discipline specific and reflect widely different factors.
- Resident tuitions significantly lower than out-of-state.
- Factors affecting increases:
  - Generally low tuition by comparison to peers
    - Opportunity for additional funds
  - Private sector competition for faculty
    - Business, Law, Nursing
  - Preserve national rankings against others moving up
    - Law
  - Operational costs
    - Architecture, Nursing, Performing Arts
  - Formula differences between academic/health institutions
    - Nursing, Pharmacy

Finally, some institutions at the undergraduate level have differential tuition rates for selected majors, e.g., nursing, engineering, performing arts, architecture. Some of the

increases to these majors exceeded the 4.95 percent cap, but in keeping with the Board of Regents' directive, the weighted average of tuition and fees charged to all undergraduates did not exceed 4.95 percent. Thus, some majors have a tuition increase less than 4.95 percent so the weighted average of 4.95 percent could be maintained for the institution.

The charts set out on Pages 17 - 18 reflect the tuition charged in Fall 2007, the approved increase for Fall 2008, and the proposed increases for Fall 2009 for Schools of Nursing. Also included for the academic institutions on Pages 19 - 20 are the authorized tuition and fee levels that include student authorized fee increase exemptions for Fall 2008 and Fall 2009.

**NURSING TUITION AT UT SYSTEM ACADEMIC INSTITUTIONS**

	Fall 2007		Fall 2008		Fall 2009		Percent Increase
	Rate	Approved	Proposed	Increase	Proposed	Increase	
UTA	Undergraduate Graduate	194.26/sch 270.75/sch	210/sch 302/sch	224/sch 318/sch	14/sch 16/sch	6.7% 5.3%	
UT Austin (see note)	Undergraduate Graduate	295/sch 380/sch	315.64/sch 424.33/sch	337.86/sch 463.33/sch	22.22/sch 39/sch	7.0% 9.2%	
UTEP*	Undergraduate Graduate	143.70/sch 181.70/sch	151.70/sch 209.70/sch	160.20/sch 218.20/sch	8.50/sch 8.50/sch	5.6% 4.1%	
UTB*	Undergraduate	116/sch	127.50/sch	130.62/sch	3.12/sch	2.4%	
UTPA*	Undergraduate	129.15/sch	137.70/sch	147/sch	9.30/sch	6.8%	
UTT*	Undergraduate	135/sch	145/sch	155/sch	10/sch	6.9%	

Note: UT Austin charges flat rate tuition; amount shown includes all academic charges, including student fees.

\* Undergraduate nursing tuition at UTEP, UTB, UTPA and UTT is the same as that charged to all undergraduates at the university.

Prepared by Office of Academic  
Affairs

January, 2009

**NURSING TUITION AT UT SYSTEM HEALTH INSTITUTIONS**

**Undergraduate Level Nursing Programs**

	UTMB		UTHSC H		UTHSC SA	
	Fall 07	Approved Fall 08 Proposed Fall 09	Fall 07	Approved Fall 08 Proposed Fall 09	Fall 07	Approved Fall 08 Proposed Fall 09
<b>Statutory</b> (per sch)	\$50	\$50	\$50	\$50	\$50	\$50
<b>Designated</b> (per sch)	\$100	\$106.5	\$86	\$92.29	\$102.46	\$126.46
<b>Total Tuition</b>	\$150	\$156.5	\$136	\$142.29	\$152.46	\$200.46
<b>ANNUAL TUITION &amp; MANDATORY FEES</b> (1)	<b>\$2,572</b>	<b>\$2,719</b>	<b>\$2,652</b>	<b>\$2,791</b>	<b>\$2,686</b>	<b>\$2,986</b>
<b>Increase</b>		<b>\$147</b>		<b>\$139</b>		<b>\$150</b>
<b>Percent Increase</b>		<b>5.5%</b>		<b>5.14%</b>		<b>5.3%</b>

(1) UTMB, UTHSC H and UTHSC SA based on 15 SCH.

**Graduate Level Nursing Programs**

	UTMB		UTHSC H		UTHSC SA	
	Fall 07	Approved Fall 08 Proposed Fall 09	Fall 07	Approved Fall 08 Proposed Fall 09	Fall 07	Approved Fall 08 Proposed Fall 09
<b>Statutory</b> (per sch)	\$50	\$50	\$50	\$50	\$50	\$50
<b>Designated</b> (per sch)	\$80	\$110	\$46	\$46	\$52.46	\$76.46
<b>Differential</b> (per sch)	\$40	\$50	\$40	\$50	\$50	\$50.00
<b>Total Tuition</b>	\$170	\$210	\$136	\$146	\$152.46	\$200.46
<b>ANNUAL TUITION &amp; MANDATORY FEES</b> (2)	<b>\$5,357</b>	<b>\$6,453</b>	<b>\$3,890</b>	<b>\$4,297</b>	<b>\$5,372</b>	<b>\$6,863</b>
<b>Increase</b>		<b>\$1,096</b>		<b>\$407</b>		<b>\$843</b>
<b>Percent Increase</b>		<b>16.74%</b>		<b>0.0%</b>		<b>10.4%</b>

(2) UTMB based on 27 SCH; UTHSC H based on 23 SCH; and UTHSC SA based on 27 SCH.

(3) UTMB's Nursing PhD program is in the Graduate School of Biomedical Sciences and has the same tuition charge as the Graduate Nursing program.

Prepared by Office of  
Academic Affairs  
January, 2009

**SUMMARY OF TUITION AND FEE PROPOSALS INCLUDING AUTHORIZED CAP AND  
STUDENT AUTHORIZED FEE INCREASE EXEMPTIONS**

**Fall 2008**

<b>Institution</b>	<b>Fall 2008 TAC w/Approved Increase</b>	<b>Plus: Student-approved Fees for Fall 2008</b>	<b>Fall 2008 TAC w/Student Fee Increases</b>
<b>UT Arlington</b>	\$ 4,011	\$ 60	\$ 4,071
<b>UT Austin</b>	\$ 4,266	\$ -	\$ 4,266
<b>UT Brownsville*</b>	\$ 2,573	\$ 75	\$ 2,648
<b>UT Dallas</b>	\$ 4,571	\$ 134	\$ 4,705
<b>UT El Paso</b>	\$ 3,034	\$ -	\$ 3,034
<b>UT Pan Am</b>	\$ 2,612	\$ -	\$ 2,612
<b>UT Permian Basin</b>	\$ 2,639	\$ 75	\$ 2,714
<b>UT San Antonio</b>	\$ 3,800	\$ 32	\$ 3,832
<b>UT Tyler**</b>	\$ 2,925	\$ 30	\$ 2,955

Notes:

- TAC: Total Academic Costs, includes tuition, mandatory fees, and average of course fees.
- Allowable Increase: 4.95 percent or \$150 per semester, whichever is greater.

\* UT Brownsville has been granted permission to distribute its \$405 per semester two-year allowable increase as follows: \$313 in FY09 and \$92 in FY10 to offset impact of new student satisfactory academic progress policy.

\*\*Less than Board-approved amounts of \$2,964 and \$2,994, respectively.

**SUMMARY OF TUITION AND FEE PROPOSALS INCLUDING AUTHORIZED CAP  
AND STUDENT AUTHORIZED FEE INCREASE EXEMPTIONS**

**Fall 2009**

<b>Institution</b>	<b>Fall 2008 TAC</b>	<b>Allowable Increase**</b>	<b>Percentage Increase</b>	<b>Plus: Student-approved Fees for Fall 2009</b>	<b>New TAC</b>
<b>UT Arlington</b>	\$ 4,071	\$ 201.52	4.95%	\$ -	\$ 4,273
<b>UT Austin</b>	\$ 4,266	\$ 211.18	4.95%	\$ -	\$ 4,477
<b>UT Brownsville*</b>	\$ 2,648	\$ 150.00	5.66%	\$ 30	\$ 2,828
<b>UT Dallas</b>	\$ 4,705	\$ 232.88	4.95%	\$ -	\$ 4,937
<b>UT El Paso</b>	\$ 3,034	\$ 150.18	4.95%	\$ -	\$ 3,184
<b>UT Pan American</b>	\$ 2,611	\$ 150.00	5.75%	\$ -	\$ 2,761
<b>UT Permian Basin</b>	\$ 2,714	\$ 150.00	5.53%	\$ -	\$ 2,864
<b>UT San Antonio</b>	\$ 3,833	\$ 189.72	4.95%	\$ 24	\$ 4,046
<b>UT Tyler***</b>	\$ 2,955	\$ 150.00	5.08%	\$ -	\$ 3,105

Notes:

- TAC: Total Academic Costs, includes tuition, mandatory fees, and average of course fees.
- Student Approved Fees: See following table for explanation.

\* UT Brownsville has been granted permission to distribute its \$405 per semester two-year allowable increase as follows: \$313 in FY09 and \$92 in FY10 to offset impact of new student satisfactory academic progress policy.

\*\* Allowable increase for 2009: 4.95 percent or \$150 per semester, whichever is greater, including student-approved fee increases that take effect Fall 2009.

\*\*\*Less than Board-approved amounts of \$2,994 and \$3,144, respectively.

7. **U. T. System Board of Regents: Reappointment of Mr. J. Philip Ferguson and Mr. Ardon E. Moore to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

Chairman Caven and UTIMCO Chairman Rowling recommend that Mr. J. Philip Ferguson and Mr. Ardon E. Moore be reappointed to the UTIMCO Board of Directors, each for a term to expire on April 1, 2012.

BACKGROUND INFORMATION

*Texas Government Code* Section 66.08 requires that the U. T. System Board of Regents appoint all members of the UTIMCO Board of Directors.

Mr. Ferguson is the former Chief Investment Officer for AIM Capital Management, Inc. and currently serves as UTIMCO's Vice Chairman, Chairman of UTIMCO's Compensation Committee, and as a member of the Risk Committee. Mr. Moore is the President of Lee M. Bass, Inc. and currently serves as a member of UTIMCO's Compensation Committee and Policy Committee.

Regents' Rule 10402, Section 4, provides that up to four of the nine directors may be "external" directors, and the approved UTIMCO bylaws allow external directors to serve a maximum of three terms of three years each. Terms for two of the external directors, Mr. Ferguson and Mr. Moore, expire on April 1, 2009. They are both eligible for reappointment.

8. **U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Approval to settle commercial insurance claims associated with Hurricane Ike and authorization for the Chancellor to execute final settlement documents**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for the Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Board of Regents approve settlement of the Commercial Property Insurance claims associated with Hurricane Ike.

It is also recommended that the Chancellor be authorized to execute all proofs of loss and related settlement documents related to claims covered under the Comprehensive

Property Protection Plan (CPPP) including the named windstorm coverage under the CPPP, Texas Windstorm and Insurance Association (TWIA), National Flood Insurance Program (NFIP), and any other related policies.

### BACKGROUND INFORMATION

Hurricane Ike resulted in extensive wind and water damage to U. T. Medical Branch – Galveston and some wind and water damage to U. T. Health Science Center – Houston and U. T. M. D. Anderson Cancer Center. It is estimated that upon final measurement, property damage and business interruption losses at these three institutions will total approximately \$710 million at U. T. Medical Branch – Galveston, \$23 million at U. T. M. D. Anderson Cancer Center, and \$7.4 million at U. T. Health Science Center – Houston.

Adjusters have provided sufficient documentation to substantiate an actual cash value loss that has exceeded the \$50 million deductible and \$100 million named windstorm limit provided in the commercial insurance policy. A portion of the named windstorm limit has been advanced pending final adjustment. The adjusters have made a final recommendation to tender the remaining loss limit in exchange for a final Proof of Loss.

On November 13, 2008, the Board authorized the issuance of \$50 million of Revenue Financing System debt to cover the repair and renovation capital improvement losses within the deductible at the three U. T. System institutions.

In accordance with Section 3, Rule 80601 of the Regents' *Rules and Regulations*, the Chancellor is authorized to execute all documents related to the partial payment or adjustment in the case of a catastrophic occurrence where the loss is so extensive that commercial insurance payments in excess of \$1,000,000 are necessary. Final settlement of commercial insurance claims in excess of \$1,000,000 requires approval by the Board.

In 1995, the CPPP was established as a means of financing catastrophic property losses to U. T. System and the institutions. From 1995 - 2001, the CPPP included coverage for perils such as fire, tornado, hail, named windstorm, and flood.

In June 2001, U. T. Health Science Center – Houston and U. T. M. D. Anderson Cancer Center experienced significant physical damage and business interruption losses resulting from Tropical Storm Allison. As a result of that loss, along with other forces at work in the marketplace after September 11, 2001, commercial insurance to cover catastrophic losses including named windstorm and flood perils was no longer reasonably available and/or affordable.

In 2002, the CPPP was restructured into two separate programs to include commercial insurance for fire and other non-catastrophe perils and self-insurance for named windstorm and flood (Wind and Flood) perils. The Wind and Flood self-insurance program is supported by a mechanism to issue debt up to \$50 million for direct physical loss. To provide underlying protection, primary insurance policies providing relatively

low limits were purchased through the TWIA for facilities in Tier 1 seacoast territories and the NFIP for properties located in various flood zones.

Each year since the program was restructured and during the renewal process, the U. T. System explored the feasibility of purchasing named windstorm and flood coverage. In 2008, the commercial insurance marketplace softened and the worldwide marketplace was canvassed including U.S., European, and Bermudian markets.

In the CPPP renewal effective April 1, 2008, the U. T. System was able to obtain \$100 million of named windstorm and flood coverage. Because of the limited carrier capacity, a shared and layered program is required with a number of carriers participating at different levels. The insurance carriers in the program include Lexington, Ironshore, AWAC, Starr, Ace, Zurich, and RSUI.

9. **U. T. System: Authorization to execute a Memorandum of Understanding with the United States Department of Agriculture Natural Resources Conservation Service to provide technical assistance for the improvement and protection of soil, water, and other natural resources on Permanent University Fund lands**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the U. T. System Board of Regents authorize the Executive Vice Chancellor for Business Affairs to enter into a Memorandum of Understanding (MOU) with the United States Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS), as attached on Pages 25 - 27, to:

- a. provide technical assistance for the improvement and protection of soil, water, and other natural resources on Permanent University Fund lands (University Lands) through development and revision of USDA NRCS conservation plans;
- b. apply conservation practices that are contained in USDA NRCS conservation plans to University Lands, including, but not limited to, cost-share assistance utilizing funding from the USDA Farm Bill;
- c. encourage University Lands grazing lessees to utilize USDA Farm Bill programs that may provide cost-sharing for conservation practices that are a part of the USDA NRCS conservation plans; and
- d. annually review the MOU and amend, extend, or modify it by mutual consent of the authorizing official of the NRCS and the Executive Director of University Lands.

## BACKGROUND INFORMATION

The purpose of the Memorandum of Understanding is to formalize the agreement between the U. T. System and the USDA NRCS to provide technical assistance for the improvement and protection of soil, water, and other natural resources on University Lands through the development and revision of USDA NRCS recommended conservation plans. The MOU would further allow the application of conservation practices that are contained in USDA NRCS conservation plans including, but not limited to, cost-share assistance utilizing funding from the USDA Farm Bill to University Lands.

The USDA NRCS is a federal agency that works hand-in-hand with the people of Texas to improve and protect the soil, water, and other natural resources. The U. T. System, through its ownership of 2.1 million acres of University Lands located in West Texas, is one of many Texas landowners benefiting from the USDA NRCS conservation programs. For decades, Texas landowners have voluntarily worked with USDA NRCS specialists to prevent erosion, improve water quality, and promote sustainable agriculture. To maintain these many programs, the USDA NRCS employs conservation experts to help U.S. and Texas landowners develop conservation plans to manage natural ecosystems.

On February 6, 2007, U. T. System Executive Director of University Lands, Mr. Steve Hartmann, was honored with the W.R. Chapline Land Stewardship Award by the International Society for Range Management for his commitment to the stewardship of University Lands. He credits the assistance of the USDA NRCS as being a big part of the reason he received this unique award. Mr. Hartmann has always valued and cultivated the relationship University Lands has with the NRCS because of NRCS's commitment to assist with the application of high-quality conservation practices on University Lands.

USDA NRCS provides science-based technical services to address ever-changing environmental concerns. These services are provided through the local soil and water conservation districts.

A USDA NRCS conservation plan will be encouraged for use on every University Lands grazing lease through collaboration between USDA NRCS experts, U. T. System staff, and the grazing lessee.

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN THE**

**BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM**

**AND THE**

**UNITED STATES DEPARTMENT OF AGRICULTURE  
NATURAL RESOURCES CONSERVATION SERVICE**

**RELATIVE TO**

**PROVIDING TECHNICAL ASSISTANCE TO THE APPROXIMATELY 116 LESSEES ON 2,084,737 ACRES OF PERMANENT UNIVERSITY FUND LANDS LOCATED IN ANDREWS, CRANE, CROCKETT, CULBERSON, DAWSON, ECTOR, EL PASO, GAINES, HUDSPETH, IRION, LOVING, MARTIN, PECOS, REAGAN, SCHLEICHER, TERRELL, UPTON, WARD AND WINKLER COUNTIES IN WEST TEXAS.**

This Memorandum of Understanding (MOU) is between the Board of Regents of The University of Texas System (University Lands) and the Natural Resources Conservation Service (NRCS) of the United States Department of Agriculture.

The authority for this MOU is derived from **Public Law No. 74-46, 16 U.S.C. 590a (3)**.

**I. PURPOSE:**

The purpose of this MOU is to formalize the agreement between the University Lands and the NRCS to provide technical assistance for the development and revision of conservation plans and for the application of conservation practices contained in the conservation plans, including, but not limited to, cost-share assistance using Farm Bill funding.

**II. RESPONSIBILITIES**

**A. University Lands agrees to:**

- Encourage lessees to develop and implement a conservation plan with NRCS. A prescribed grazing plan will be an integral part of the conservation plan.
- Assure that all lessees are aware of potential assistance under Farm Bill programs that may provide cost-share to implement conservation practices that are a part of their conservation plans.
- Encourage lessees to participate in these programs.

- Utilize the NRCS Field Office Technical Guide (eFOTG) standards and specifications for all conservation practice installation and maintenance.
- Provide the NRCS Assistant State Conservationist (Field Operations) in San Angelo with an annual list of current grazing lessees, lease numbers, acreage, and date of expiration.
- Inform lessees of the NRCS' role in developing and servicing lessee's conservation plans. The lessee will be advised that it will be his/her responsibility to schedule a date whereby he/she can participate with the NRCS representative to develop a conservation plan.
- Present ten (10) University Lands leases proposed for conservation plan development during the upcoming calendar year to NRCS in December of each year. The ten (10) plans recommended will be dispersed among the 15 counties commensurate with current NRCS staffing.
- Host and conduct Grazing Lessee meetings as necessary to encourage and promote lessee participation in current Farm Bill programs that would benefit University Lands.

**B. NRCS agrees to:**

- Develop ten (10) conservation plans per calendar year with University Lands lessees. The conservation plan will follow guidance in the National Planning Procedures Handbook and General Manual. The conservation plan will contain the following elements:
  - A conservation plan map (aerial photograph) with pasture names and pasture acreage identified;
  - A soils map with pasture names and pasture acreage identified;
  - An ecological site map with pasture names and pasture acreage identified;
  - A water distribution map with pasture names and pasture acreage identified. The water distribution map will contain both existing and planned watering facilities (pipelines, storage, etc).
  - The conservation plan will contain a forage inventory, recommended stocking rates, a grazing management plan and a drought plan.
  - Provide a copy of the conservation plan to both the lessee and University Lands as they are developed.
- The Assistant State Conservationist (Field Operations) will notify University Lands by January 31 of any conflicts in developing the ten (10) selected conservation plans for that calendar year due to lack of personnel or heavy workload. In the event of conflicts, University Lands will work with NRCS to select another lease(s).

- Provide technical assistance to University Lands lessees based on the annual request from University Lands. Where applicable, Farm Bill programs will also be made available to University Lands lessees.
- Provide a copy of all Farm Bill contracts to both the lessee and University Lands as they are developed.
- Participate in the University Lands Grazing Lessee meetings upon request.

**III. IT IS MUTUALLY AGREED:**

- This MOU becomes effective on the date of signature of all parties. NRCS and University Lands will annually review this MOU and amend, extend, or modify it by mutual consent of the authorizing official of the NRCS and the Executive Director of University Lands. Either party may terminate this MOU by providing a 30-day written notice to the other party.
- Activities conducted under this MOU will be in compliance with the nondiscrimination provisions as contained in Titles VI and VII of the Civil Rights Act of 1964, as amended, the Civil Rights Restoration Act of 1987 (Public Law 100-259), and other nondiscrimination statutes, namely Section 504 of the Rehabilitation Act of 1973, Title IX of the Educational Amendments of 1972, the Age Discrimination Act of 1975, as amended, and in accordance with regulations of the Secretary of Agriculture (7CFR-15, Subparts A and B), that provide that no person of the United States shall, on the grounds of race, color, national origin, age, sex, religion, marital status, or handicap be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving federal financial assistance from the Department of Agriculture or any agency thereof.

**BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM**

**BY:** \_\_\_\_\_  
**NAME:** Scott C. Kelley  
**TITLE:** Executive Vice Chancellor for Business Affairs  
**DATE:** \_\_\_\_\_

**UNITED STATES DEPARTMENT OF AGRICULTURE  
 NATURAL RESOURCES CONSERVATION SERVICE**

**BY:** \_\_\_\_\_  
**NAME:** \_\_\_\_\_  
**TITLE:** \_\_\_\_\_  
**DATE:** \_\_\_\_\_

10. **U. T. System: Report on development performance for the U. T. System institutions**

REPORT

Vice Chancellor Safady will report on development performance of the U. T. System institutions. At the end of her presentation, Dr. Safady will present a brief preview of *State of Tomorrow*<sup>™</sup> television ads that will begin airing statewide in February 2009.

In 2004, Dr. Safady initiated an annual review of campus development operations and the preparation of a feedback report to offer each institution a framework for performance measurement and continuous improvement. With demand on U. T. System institutions to increase philanthropic support, this service aims to help each institution achieve its strategic objectives. This annual review is aligned with the goals of the U. T. System's comprehensive Accountability and Performance program.

**Supplemental materials: PowerPoint presentation on Pages 97 - 112 of Volume 2.**

11. **U. T. System Board of Regents: Discussion regarding enhanced academic efficiency and productivity**

REPORT

At the request of Chairman Caven, Executive Vice Chancellor Prior will provide a summary of the efforts of The University of Texas System to enhance academic efficiency and productivity in relation to proposed higher education reforms described as "breakthrough solutions."

BACKGROUND INFORMATION

On May 21, 2008, Governor Perry convened a meeting of members of the Boards of Regents of all public institutions of higher education in Texas to discuss seven proposed "breakthrough solutions" related to higher education. Two of the solutions (related to putting state funding directly in the hands of students and creating new accrediting alternatives) are beyond the purview of the state's public institutions of higher education and are not the subject of this discussion. The remaining five solutions are summarized as follows:

Breakthrough solution 1 – Measure teaching efficiency and effectiveness and publicly recognize extraordinary teachers

Breakthrough solution 2 – Recognize and reward extraordinary teachers

Breakthrough solution 3 – Split research and teaching budgets to encourage excellence

Breakthrough solution 4 – Require evidence of teaching skill for tenure

Breakthrough solution 5 – Use “results-based” contracts with students to measure quality

During a subsequent smaller telephone meeting of invited Regents, each public university system was asked to provide a summary of what was currently being done related to the proposed solutions. The U. T. System responded, as requested, with detailed statements concerning the five proposals.

An additional meeting of invited Regents and higher education officials was held in December 2008 to further discuss higher education reforms. On January 13, 2009, a document titled Higher Education Reforms was sent to U. T. System calling for actions within specific timeframes.



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

**Committee Meeting:** 2/11/2009

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

**Board Meeting:** 2/12/2009  
Austin, Texas

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551</b>	<i>11:30 a.m. Chairman Foster</i>		
<p><b>1. Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - Section 551.074</b></p> <p><i>Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System Administration and institutional employees involved in internal audit and compliance functions</i></p>	<i>Ms. Kimberly Hagara, U. T. Medical Branch – Galveston Mr. Robert Rubel, U. T. Southwestern Medical Center – Dallas Mr. Chaffin Mr. Plutko</i>	Not on Agenda	
<b>B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEM AND TO CONSIDER AGENDA ITEMS</b>	<i>11:50 a.m.</i>		
<b>1. U. T. System: Report on potential conflicts of interest for research at U. T. System institutions</b>	<i>11:50 a.m. <b>Report</b> Mr. Plutko</i>	Not on Agenda	<b>30</b>
<b>2. U. T. System: Progress report on the Systemwide Information Security Program</b>	<i>11:57 a.m. <b>Report</b> Mr. Watkins</i>	Not on Agenda	<b>30</b>
<b>3. U. T. System: Report on Systemwide institutional compliance activities</b>	<i>12:05 p.m. <b>Report</b> Mr. Plutko</i>	Not on Agenda	<b>30</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
4. <b>U. T. System Board of Regents: Approval to renew the contract with Deloitte &amp; Touche, LLP, as the external auditor for the Fiscal Year 2009 audit of funds managed by The University of Texas Investment Management Company (UTMCO)</b>	12:10 p.m. <b>Action</b> <i>Mr. Chaffin</i>	<b>Action</b>	<b>36</b>
5. <b>U. T. System: Report on the Systemwide internal audit activities, including a report concerning audit activities at U. T. Southwestern Medical Center – Dallas and approval of U. T. Medical Branch – Galveston's annual audit plan for Fiscal Year 2009</b>	12:15 p.m. <b>Action</b> <i>Ms. Kimberly Hagara, U. T. Medical Branch – Galveston Mr. Robert Rubel, U. T. Southwestern Medical Center – Dallas Mr. Chaffin</i>	<b>Action</b>	<b>37</b>
6. <b>U. T. System: Report on the U. T. System Consolidated Annual Financial Report Audit performed by institutional and System Administration internal audit</b>	12:23 p.m. <b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>44</b>
<b>C. ADJOURN</b>	12:30 p.m.		

1. **U. T. System: Report on potential conflicts of interest for research at U. T. System institutions**

REPORT

Mr. Lawrence Plutko, Systemwide Compliance Officer, will report on a newly chartered committee focusing on potential conflicts of interest for research at U. T. System institutions. The Committee will conduct a compliance effectiveness review of conflicts of interest policies for research, focusing initially on health institutions and U. T. Austin, then later looking at other academic institutions. The Committee will also review the policy implementation, documentation, and education processes attached to these policies.

2. **U. T. System: Progress report on the Systemwide information security program**

REPORT

Mr. Lewis Watkins, Chief Information Security Officer, will report on progress of the Systemwide information security program. Mr. Watkins will update the Committee on the status of program requirements relating to risk assessment, strategy development, approval and implementation, and progress reporting.

BACKGROUND INFORMATION

The Board provided funding for the purchase of tools to help U. T. System institutions to perform information technology risk assessments, manage computer security configurations, and identify attacks against University networks. Additional funding has been made available to train technical staff responsible for securing University computers. Mr. Watkins will provide an update on the status of these initiatives.

3. **U. T. System: Report on Systemwide institutional compliance activities**

REPORT

Mr. Lawrence Plutko, Systemwide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the first quarter report of the Systemwide Compliance Program. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee on a quarterly basis. The last activity reports were sent to Committee members on January 22, 2009. The Summary Report is included on Pages 31 - 35.

**The University of Texas System  
Institutional Compliance Program Report Summary  
First Quarter, Fiscal Year 2009**

**Background**

The University of Texas (U. T.) Systemwide Institutional Compliance Program (Program) was established in 1998 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. The responsibilities for the Program are outlined in the *Action Plan to Ensure Institutional Compliance* (Action Plan) approved by the Board of Regents in 1998 and updated in 2003. The Action Plan delegates to the Systemwide Compliance Officer the responsibility for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration and at each of the institutions. The Action Plan also provides that the Compliance Officers at System Administration and at each institution are responsible for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes and communicates instances of noncompliance to appropriate administrative officers for corrective, restorative, and/or disciplinary action.

The Systemwide Compliance Officer is Mr. Larry Plutko, who was hired on September 29, 2008.

**Systemwide Program Activity**

As outlined in the Action Plan, the Systemwide Compliance Office provides support to the institutional compliance officers by:

- Facilitating best practice identification
- Providing training and support to each institution on those practices
- Identifying emerging issues
- Working with institutions on reported instances of noncompliance
- Reporting Systemwide compliance activities
- Coordinating Systemwide compliance efforts
- Advancing the discipline of compliance in higher education/health care.

During the first quarter of fiscal year (FY) 2009, the Systemwide program focused its efforts in the following areas:

**1. Systemwide Compliance Officer site visits**

The new Systemwide Compliance Officer was introduced to the compliance officers at an Institutional Compliance Advisory Committee meeting in October. Subsequent to that initial meeting with the officers, the Systemwide Compliance Officer has conducted site visits at a number of institutions to meet with key leadership and compliance stakeholders. During the first quarter of FY 2009, site visits were held at U. T. Arlington, U. T. El Paso, U. T. Southwestern, U. T. Health Science Center – Houston, and the U. T. Health Science Center – San Antonio.

## **2. Coordinating the Systemwide information security initiative**

Negotiations were completed with Configuresoft, Inc. for the purchase of configuration management software to be made available to all U T institutions to bolster security of desktop, laptop, and server computers. Also, security configuration templates for end-user and server computers were created to help institutions establish best practice deployments for various situations. Deployment and management of model configurations through use of the Configuresoft software will enable institutions to maintain ongoing control over and audit verification of the security profile for computers attached to institutional networks.

U. T. institutions submitted their first annual metrics report to U. T. System Administration and began using the UT-ISAAC risk assessment tool purchased through U. T. System to perform state required IT risk assessments. Minor changes were made to the U. T. System Information Resources Use and Security Policy (UTS-165) to ensure alignment with state law.

## **3. Conflict of Interest for Research Compliance Committee**

The Interim Chancellor has chartered a committee to conduct a compliance effectiveness review of conflicts of interest policies for research, focusing initially on health institutions and U. T. Austin, then later looking at other academic institutions. The committee will also review the policy implementation, documentation, and education processes attached to these policies. Members of the committee include representatives from Systemwide Compliance, Office of General Counsel, Research and Technology Transfer, Academic Affairs, Health Affairs, and Governmental Relations. The Systemwide Compliance Officer, acting as Committee Chair, will provide a compliance effectiveness report, including recommendations, to the Chancellor once the reviews have been completed.

## **4. Other activities during the quarter included:**

- Attending executive compliance committee meetings at the majority of the institutions
- Planning for the Seventh Conference for Effective Compliance Systems in Higher Education to be held in Austin, May 31 – June 3, 2009
- Identifying and highlighting emerging compliance issues through *In the News* email publication

## **Institutional Program Activity<sup>1</sup>**

Per the Action Plan, the compliance officers at System Administration and each institution have the following responsibilities:

- Actively engage an institutional Executive Compliance Committee that meets at least quarterly

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<sup>1</sup> Details regarding activities at the institutional level are published in the *Institutional Compliance Program 1<sup>st</sup> Quarter Status Report for Fiscal Year 2009*.

- Perform annual compliance risk assessments
- Provide campus-wide compliance training and promote compliance awareness
- Assist in 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, the Systemwide Compliance Officer, and the Board of Regents.

The following is a summary of institutional progress in implementing these elements of an effective compliance program:

### **Executive Compliance Committees**

Each institution has an Executive Compliance Committee (ECC) that meets at least quarterly to oversee its institutional compliance program. Meetings were held this quarter at each institution, with the exception of U. T. Medical Branch – Galveston and the U. T. Health Science Center – Tyler. U. T. Austin has moved to quarterly meetings starting this fiscal year, but the U. T. Health Science Center – Houston continues to hold monthly ECC meetings. During the period, Systemwide Compliance Office representatives attended ECC meetings at U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. Pan American, U. T. San Antonio, U. T. Tyler, U. T. Health Science Center – San Antonio, and U. T. System Administration in order to support the compliance officers in enhancing the role of the ECC.

### **Risk Assessments**

ECCs review their institution's identified compliance risks and approve the designation of "institutionally significant" compliance risks – risks that, if realized, would have a significant impact on the ability to achieve the goals and objectives of the institution. Most institutions have identified between eight and fifteen institutionally significant areas of high risk, with multiple high-risk exposures contained within those areas. Common risk areas of focus during the quarter included: information security, conflicts of interest, medical billing, clinical research, patient privacy (HIPAA), environmental health and safety (including hazardous materials, lab safety, fire safety, campus safety, select agents), export control, animal care, human subject care, endowment management, fiscal/financial and asset management, time and effort reporting, cost sharing, construction procurement, financial aid, family educational rights and privacy (FERPA), human resources, contract management, and investment management.

### **Training and Awareness**

General compliance training is conducted using a variety of formats including online, classroom, and written materials. Employees are typically scheduled to receive general compliance training during new employee orientation, and thereafter refresher training is provided on either an annual or biannual basis. All institutions provide a Standards of Conduct guide to new employees, utilizing either an electronic or written delivery method. During the quarter, compliance officers have been effective at ensuring that general compliance training and Standards of Conduct guides are delivered to the appropriate personnel in a timely manner.

### **Specialized Training**

During the quarter, institutions conducted specialized training in many areas, including: endowments, research, contracts and grants, confidential information, fair lending practices, human subjects research and ethics, storm water pollution prevention, construction safety, information security, account management, purchasing, conflicts of interest, lab safety, hazardous waste, biosafety, radiation safety, fair labor standards, FERPA, select agents, campus security, risk management, fire safety, cash handling, investment training (public markets, private markets, marketable alternative investments), and investment risk management.

### **Monitoring Activities**

A designated party is assigned accountability for each high-risk compliance area and is responsible for creating a risk management process that evaluates current activities and identifies changes, if necessary, that will improve the assurance of compliance. That process should include monitoring activities, which are procedures performed to verify that the risk management process for a compliance institutional high risk is being carried out as designed on a continual basis.

Compliance effectiveness reviews were conducted in many of the high-risk areas during the first quarter of FY 2009, including: medical billing, research involving human subjects, animal care, clinical research, cost sharing, time and effort reporting, export controls, conflict of interest, select agents, hazardous chemicals, fire safety, facility safety, lab safety, contracts and grants, account reconciliation, financial controls, asset management, financial aid, HIPAA, FERPA, hospital compliance, endowments, investment due diligence, investment risk management, investment compliance, and information security.

In addition, various assurance activities (e.g. internal audits and subject matter peer reviews) were performed on many of the high-risk compliance areas to verify and validate that operations are performing in compliance with applicable laws, regulations, policies and procedures.

### **Institutional Organizational Matters**

U. T. Austin and U. T. San Antonio report hiring compliance personnel during the quarter, while various compliance positions remain open at U. T. Southwestern and the U. T. Health Science Center – Houston. U. T. Dallas has promoted within to fill their vacant compliance manager position.

The U. T. Medical Branch Office of Institutional Compliance staff was cut nearly in half, decreasing from 17 to 9 full time employees. In addition, the Associate Compliance Officer was promoted to Compliance Officer.

### **Institutional Action Plan Activities**

At the beginning of each fiscal year, institutional compliance officers prepare an Action Plan, identifying areas in which the compliance office will focus its attention and activities. During the first quarter of FY 2009, action plan activities included the following: conducting investigations, facilitating training, consulting with high-risk area responsible parties, developing tools for monitoring high-risk areas, updating compliance program/compliance committee charters, developing compliance marketing plans, revising websites, updating compliance guides/manuals, reviewing risk management plans, reviewing monitoring plans, improving completion rates of

general compliance training, facilitating risk assessments in high-risk areas, updating standards of conduct guides, and performing compliance effectiveness reviews of high-risk areas.

**4. U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche, LLP, as the external auditor for the Fiscal Year 2009 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

Mr. Charles Chaffin, Chief Audit Executive, recommends approval to renew the auditing services contract with Deloitte & Touche, LLP (Deloitte) to perform audits of the financial statements and audit the performance statistics for the Fiscal Year (FY) ending August 31, 2009, for the funds managed by The University of Texas Investment Management Company (UTIMCO) as listed below:

- a. Permanent University Fund (PUF)
- b. The University of Texas System General Endowment Fund (GEF)
- c. Permanent Health Fund (PHF)
- d. The University of Texas System Long Term Fund (LTF)
- e. The University of Texas System Intermediate Term Fund (ITF)

The proposed Deloitte fees for the FY 2009 audit of funds managed by UTIMCO including the performance statistics audit are included below with a comparison to the fees of the prior year's audit. In addition, out-of-pocket expense reimbursements in connection with the audit are not to exceed \$65,000.

	<b>Total FY 2008 Fees</b>	<b>Proposed FY 2009 Fees</b>	<b>Percentage Decrease</b>
Permanent University Fund	\$ 243,800	\$ 223,000	-8.5%
General Endowment Fund	190,800	175,000	-8.3%
Permanent Health Fund	25,400	23,000	-9.4%
Long Term Fund	25,400	23,000	-9.4%
Intermediate Term Fund	145,200	133,000	-8.4%
Performance Statistics Audit	25,400	23,000	-9.4%
<b>TOTAL</b>	<b>\$ 656,000</b>	<b>\$ 600,000</b>	<b>-8.5%</b>

Then, Mr. Chaffin will report on the timing and scope of the internal audit work planned on UTIMCO's internal financial controls related to the PUF. The details of the audit will be discussed at UTIMCO's Audit and Ethics Committee on January 29, 2009.

## BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF rests with the U. T. System Board of Regents. *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF if the PUF is within the scope of funds managed by an external management corporation.

On July 11, 2007, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, for one year with a right to renew in one-year increments for four additional years. The contract was renewed by the Board of Regents on February 7, 2008. The original auditing services contract includes an option to audit and report on management's assessment of the internal controls over financial reporting.

5. **U. T. System: Report on the Systemwide internal audit activities, including a report concerning audit activities at U. T. Southwestern Medical Center – Dallas and approval of U. T. Medical Branch – Galveston's annual audit plan for Fiscal Year 2009**

## RECOMMENDATION

Ms. Kimberly Hagara, Associate Vice President, Audit Services, U. T. Medical Branch – Galveston, will present the U. T. Medical Branch – Galveston Fiscal Year 2009 Annual Internal Audit Plan (Plan) and recommend that the Audit, Compliance, and Management Review Committee approve the proposed Plan for further approval by the full U. T. System Board of Regents. The approval of the Plan was delayed due to the impact of Hurricane Ike. The Plan is included on Pages 39 - 40.

Mr. Robert Rubel, Director of Internal Audit, U. T. Southwestern Medical Center – Dallas, will report on institutional internal audit challenges since the integration of hospitals into U. T. Southwestern Medical Center.

Mr. Charles Chaffin, Chief Audit Executive, will report on the results of the Presidential Travel, Entertainment, and Housing Expense audits conducted at each of the institutions and U. T. System Administration. He will also discuss implementation of a policy to require an audit of the institutional Presidents' offices conducted by the System Audit Office on a rotating five-year basis.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The first quarter activity report on the Status of Outstanding Significant Finding/ Recommendations is set forth on Pages 41 - 42. The report shows that satisfactory progress is being made on the implementation of all significant recommendations with the exception of those from the Annual Financial Report Audit at U. T. Permian Basin. Institutional management has been made aware of this issue. Additionally, a list of other audit reports issued by the Systemwide audit program and the annual internal audit plan status as of October 31, 2008, follows on Page 43.

## BACKGROUND INFORMATION

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

The University of Texas Medical Branch at Galveston  
 FY 2009 Institutional Expenditures: \$1,605,352,926  
 Total Number of FY 2009 Budgeted Positions = 7

## Fiscal Year 2009 Audit Plan

Audit/Project	Budgeted Priority Hours	% of Total
<b><u>Financial Audits</u></b>		
FY08 Financial Statement Audit	800	
FY09 Financial Statement Audit (interim)	300	
Presidential Travel and Entertainment Expenses Audit	125	
Presidential Travel and Entertainment Expenses Quarterly Reviews	100	
Joint Admission Medical Program	60	
<b>Financial Audits Subtotal</b>	<b>1385</b>	<b>18%</b>
<b><u>Operational Audits</u></b>		
<i><u>Risk Based Tier Two Audits</u></i>		
Healthcare Workforce Management	400	
<i><u>Change in Management Audits</u></i>		
	400	
<i><u>Carryforward Audits</u></i>		
Governance	150	
Revenue Cycle	160	
Purchasing	40	
<b>Operational Audits Subtotal</b>	<b>1150</b>	<b>15%</b>
<b><u>Compliance Audits</u></b>		
<i><u>UT System Requested/Externally Required Audits</u></i>		
Practice Plan Governance Audit	300	
Cash Handling Audit	200	
Student Fees Audit	200	
<i><u>Texas Higher Education Coordinating Board Audits:</u></i>		
Family Practice Residency Program	80	
Primary Care/Internal Medicine Residency Program	80	
ATP/ARP Grants	40	
<b>Compliance Audits Subtotal</b>	<b>900</b>	<b>12%</b>
<b><u>Information Technology Audits</u></b>		
<i><u>UT System Requested/Externally Required Audits</u></i>		
Correctional Managed Care	500	
General Controls (Feeder Systems)	400	
<i><u>Risk Based Tier One Audits</u></i>		
IS Strategic Planning	250	
Firewall	450	

The University of Texas Medical Branch at Galveston  
 FY 2009 Institutional Expenditures: \$1,605,352,926  
 Total Number of FY 2009 Budgeted Positions = 7

**Fiscal Year 2009 Audit Plan**

Audit/Project	Budgeted Priority Hours	% of Total
<i>Carryforward Audits</i>		
Remote Vendor	20	
Medical Devices (IN 12-1)	150	
Decentralized Operations	80	
<b>Information Technology Audits Subtotal</b>	<b>1850</b>	<b>25%</b>
<i>Follow-up Audits</i>		
	<b>300</b>	<b>4%</b>
<i>Projects</i>		
<i>Audit Projects</i>		
U. T. System Requests	300	
Special Requests - Audits	900	
<i>Other Projects</i>		
Annual Risk Assessment/Work Plan Development	200	
Peer Review Follow-up	75	
Annual Required Reports	100	
Liaison with External Auditors	100	
TeamMate Upgrade/Enhancements	80	
Institutional Committee Attendance	150	
<b>Projects Subtotal</b>	<b>1905</b>	<b>25%</b>
<b>Total Audit Plan Hours</b>	<b>7490</b>	<b>100%</b>

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

A	C	D	E	F	G	H	I	J	K
1									
2	<b>U. T. SYSTEM AUDIT</b>								
3				<b>4th Quarter 2008</b>		<b>1st Quarter 2009</b>			
4	<b>Report Date</b>	<b>Institution</b>	<b>Audit</b>	<b>Ranking</b>	<b># of Significant Findings</b>	<b>Ranking</b>	<b># of Significant Findings</b>	<b>Targeted Implementation Date</b>	<b>Overall Progress Towards Completion (Note)</b>
5	2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
6	2007-07	UTARL	Protecting the Confidentiality of Social Security Numbers		1		1	3/31/2009	Satisfactory
7	2008-01	UTARL	Systems Security Audit		1		1	6/30/2009	Satisfactory
8	2008-05	UTARL	Texas Administrative Code 202 Audit		1		0	11/1/2008	Implemented
9	2008-05	UTARL	UT Arlington Health Services Audit		2		1	2/27/2009	Satisfactory
10	2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
11	2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2009	Satisfactory
12	2004-03	UTB	Contracts and Grants		1		1	3/31/2009	Satisfactory
13	2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	6/30/2009	Satisfactory
14	2008-08	UTB	UTS165: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up		4		3	8/31/2009	Satisfactory
15	2007-01	UTD	Annual Financial Report Audit FY 2007		1		1	5/31/2009	Satisfactory
16	2007-02	UTEP	Campuswide Information Technology Applications		3		3	5/31/2009	Satisfactory
17	2007-11	UTEP	Decentralized Server Security		8		4	5/31/2009	Satisfactory
18	2008-05	UTEP	University Residence Life-Miner Village		1		1	2/28/2009	Satisfactory
19	2008-08	UTEP	University Ticket Center and Office of Special Events		2		1	1/31/2009	Satisfactory
20	2008-10	UTEP	College of Education - Change in Management				0	12/31/2008	Satisfactory
21	2008-10	UTEP	Emergency Management Plan				1	3/31/2009	Satisfactory
22	2008-01	UTPA	Confidentiality of Social Security Numbers		1		1	8/31/2009	Satisfactory
23	2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	1/31/2009	Satisfactory
24	2008-08	UTPB	Annual Financial Report Audit FY 2007		2		2	8/31/2009	Unsatisfactory*
25	2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	5/15/2009	Satisfactory
26	2008-09	UTSA	Information Technology Change Management Audit				1	2/13/2009	Satisfactory
27	2008-11	UTSA	Select Agents				0	11/30/2008	Implemented
28	2008-09	UTT	Audit of State and Federal Grant Awards Fiscal Year 2008				1	8/31/2009	Satisfactory
29	2008-11	UTT	Audit of the Annual Financial Report for the year ended August 31, 2008				2	8/31/2009	Satisfactory
30	2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)				0	6/30/2008	Implemented
31	2008-04	UTMB - Galveston	PeopleSoft Application				1	3/31/2009	Satisfactory
32	2008-05	UTMB - Galveston	Information Systems Change Management Process				2	5/31/2009	Satisfactory
33	2008-05	UTMB - Galveston	Information Security Action Plan		2		2	9/30/2009	Satisfactory
34	2008-08	UTMB - Galveston	Data Retention and Records Management				4	1/31/2010	Satisfactory
35	2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		0	12/31/2008	Implemented
36	2008-03	UTHSC - Houston	Windows Servers Vulnerabilities		2		0	12/31/2008	Implemented
37	2008-05	UTHSC - Houston	Change in Management: Harris County Psychiatric Center		2		0	1/31/2009	Implemented
38	2007-09	UTHSC - San Antonio	Research Compliance Program		1		1	5/29/2009	Satisfactory
39	2008-10	UTHSC - San Antonio	Texas Administrative Code Section 202 Information Security Program				1	1/30/2009	Satisfactory
40									
41	* Several of the issues in the FY 07 AFR audit were identified again during the FY 08 AFR audit. Overall, UTPB management has not addressed these issues in timely manner, so progress is considered								
42	unsatisfactory by internal audit.								

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

3	C	D	E	F		G		J	K
				4th Quarter 2008		1st Quarter 2009			
4	Report Date	Institution	Audit	Ranking	# of Significant Findings	Ranking	# of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
43	2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	5/31/2009	Satisfactory
44	2006-12	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		1		0	8/31/2008	Implemented
45	2007-06	UTMDACC - Houston	Conflict of Interest		4		2	2/28/2009	Satisfactory
46	2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	11/30/2008	Satisfactory
47	2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	5/31/2009	Satisfactory
48	2008-05	UTMDACC - Houston	Lab Safety		1		1	2/28/2009	Satisfactory
49	2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	8/31/2009	Satisfactory
50	2008-05	UTMDACC - Houston	Advance Beneficiary Notice Implementation Review		1		1	5/31/2009	Satisfactory
51	2005-04	UTHSC - Tyler	Texas Administrative Code 202 Compliance Audit		1		1	8/31/2009	Satisfactory
52	2008-11	UTHSC - Tyler	The University Health Clinic Audit				1	2/28/2009	Satisfactory
53	2005-12	UTSYS ADM	Systemwide Financial Audit		1		1	9/1/2009	Satisfactory
54	2006-06	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	5/31/2009	Satisfactory
55	2008-08	UTSYS ADM	FileNet Audit		1		1	9/1/2009	Satisfactory
56									
57			Totals		63		56		
58									
59									
60	<b>STATE AUDITOR'S OFFICE AUDITS</b>								
61									
62	2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		1		1	2/28/2009	Satisfactory
63	2008-09	UTSA	State Auditor's - Student Fees at Selected Higher Education Institutions				0	10/31/2008	Implemented
64	2008-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for FY Ended August 31, 2007		3		3	8/31/2008	Satisfactory
65	2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory
66									
67			Totals		5		5		
68									
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71	<b>Color Legend:</b>								
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84	Note:	<b>Implemented</b> - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.							
85		<b>Satisfactory</b> - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.							
86		<b>Unsatisfactory</b> - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.							
87									

42

## U. T. Systemwide FY 2009 Annual Internal Audit Plan Status (as of October 31, 2008)

The U. T. Systemwide Annual Internal Audit Plan (plan) is a blueprint of the internal audit activities that will be performed by the internal audit function throughout the System during the fiscal year. The table below shows in which areas plan hours have been spent and percent completion of the plan by institution.

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Total Actual Hours (Note 1)	Total Priority Budget Hours (Note 2)	Variance (Hours)	Percentage Completion
<b>U. T. System Administration</b>	<b>2,555</b>	<b>702</b>	<b>92</b>	<b>65</b>	<b>94</b>	<b>395</b>	<b>3,903</b>	<b>18,205</b>	<b>14,302</b>	<b>21%</b>
<b>Large Institutions:</b>										
U. T. Austin	1,236	271	119	138	43	1,184	2,991	16,540	13,549	18%
U. T. Southwestern	2,212	436	369	-	-	514	3,532	15,510	11,979	23%
U. T. Medical Branch at Galveston	566	181	-	102	53	635	1,537	11,805	10,268	13%*
U. T. HSC - Houston	1,335	107	90	-	73	363	1,967	7,204	5,237	27%
U. T. HSC - San Antonio	835	117	307	270	6	160	1,695	7,300	5,605	23%
U. T. MDA Cancer Center	906	1,344	-	-	90	158	2,498	17,768	15,270	14%
<b>Subtotal</b>	<b>7,090</b>	<b>2,456</b>	<b>886</b>	<b>510</b>	<b>265</b>	<b>3,015</b>	<b>14,220</b>	<b>76,127</b>	<b>61,908</b>	<b>19%</b>
<b>Mid-size Institutions:</b>										
U. T. Arlington	754	-	31	466	5	256	1,511	6,130	4,619	25%
U. T. Brownsville	599	121	117	5	3	101	945	4,030	3,085	23%
U. T. Dallas	1,010	101	43	67	55	25	1,300	4,520	3,220	29%
U. T. El Paso	958	248	319	242	89	345	2,199	8,756	6,557	25%
U. T. Pan American	656	136	-	-	10	173	975	5,110	4,135	19%
U. T. San Antonio	790	-	367	127	71	245	1,600	6,264	4,664	26%
<b>Subtotal</b>	<b>4,766</b>	<b>605</b>	<b>876</b>	<b>906</b>	<b>232</b>	<b>1,145</b>	<b>8,530</b>	<b>34,810</b>	<b>26,280</b>	<b>25%</b>
<b>Small Institutions:</b>										
U. T. Permian Basin	249	82	-	-	-	76	407	1,250	843	33%
U. T. Tyler	427	28	13	-	-	75	543	2,668	2,125	20%
U. T. HSC at Tyler	526	89	-	-	19	40	674	3,030	2,356	22%
<b>Subtotal</b>	<b>1,202</b>	<b>199</b>	<b>13</b>	<b>-</b>	<b>19</b>	<b>191</b>	<b>1,624</b>	<b>6,948</b>	<b>5,324</b>	<b>23%</b>
<b>TOTAL</b>	<b>13,058</b>	<b>3,260</b>	<b>1,775</b>	<b>1,415</b>	<b>516</b>	<b>4,350</b>	<b>24,374</b>	<b>117,885</b>	<b>93,512</b>	<b>21%</b>
<b>Percentage of Total</b>	<b>54%</b>	<b>13%</b>	<b>7%</b>	<b>6%</b>	<b>2%</b>	<b>18%</b>	<b>100%</b>			

**NOTE 1:**

"Total Actual Hours" are total actual hours for the nine months from 9/1/08 through 10/31/08, which represents approximately 17% of the audit plan year.

**NOTE 2:**

"Total Priority Budget Hours" reflect budgeted hours approved by ACMR for priority projects. These hours are approximately 80 - 85% of total budget hours.

\*Percent completion for U. T. Medical Branch - Galveston was calculated using their original FY 2009 priority audit plan budget, which has since been reduced in hours after the interruption in operations. The revised audit plan will be submitted for approval by the ACMR at the February 2009 meeting.

6. **U. T. System: Report on the U. T. System Consolidated Annual Financial Report Audit performed by institutional and System Administration internal audit**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the internal audit of the U. T. System Consolidated Annual Financial Report (AFR) for the Fiscal Year (FY) ended August 31, 2008, which was performed by internal audit Systemwide. The audit report is included on Pages 45 - 50.

Then, Mr. Chaffin will lead a discussion with the Committee members on the question of whether to continue to perform the internal audit of the U. T. System Consolidated AFR for FY 2009. Highlights of the U. T. System Consolidated AFR will be presented at the Finance and Planning Committee meeting (see Item 2 on Page 51).

BACKGROUND INFORMATION

The internal audit of the U. T. System Consolidated AFR was performed for the benefit of management and as requested by the U. T. System Board of Regents.

**Supplemental Materials: PowerPoint presentation on Pages 113 - 118 of Volume 2.**



**The University of Texas System**  
Nine Universities. Six Health Institutions. Unlimited Possibilities.

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System Audit Office  
201 West Seventh Street, Austin, Texas 78701-2981  
Phone: 512-499-4390 Fax: 512-499-4426

December 19, 2008

Dr. Kenneth Shine, Chancellor *ad interim*  
Office of the Chancellor  
The University of Texas System Administration  
601 Colorado Street, 4<sup>th</sup> Floor  
Austin, Texas 78701

Dear Dr. Shine:

We have performed an audit of The University of Texas System Consolidated Annual Financial Report for Fiscal Year 2008. The audit report is attached for your review.

We conducted our engagement in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by the management and other personnel from the Controller's Office. We hope the information and recommendations presented in our report are helpful.

Sincerely,

Charles G. Chaffin  
Chief Audit Executive

cc: Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs  
Mr. Randy Wallace, Associate Vice Chancellor, Controller & Chief Budget Officer  
Ms. Dana Malone, Assistant Controller  
Ms. Debbie Frederick, Financial Reports and Investment Accounting Manager  
Ms. Sandra Neidhart, Fiscal and Policy Analyst  
Mr. Kevin Hegarty, Vice President and Chief Financial Officer, UT Austin  
Mr. Fred Friedrich, Associate Vice President and Controller, UT Austin

[www.utssystem.edu](http://www.utssystem.edu)

**The University of Texas System  
UT System Consolidated Annual  
Financial Report Audit for FY 2008**



**December 2008**

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
201 WEST 7TH STREET, CLB 3.100  
AUSTIN, TX 78701 (512) 499-4390



**AUDIT REPORT**  
December 2008

**Background**

The University of Texas (UT) System is composed of nine academic and six health-related institutions of higher education as well as UT System Administration. Annual Financial Reports (AFRs) and related footnote information are prepared by the financial reporting officers at each UT institution and UT System Administration in accordance with accounting and financial reporting requirements promulgated by UT System policy and the Texas Comptroller of Public Accounts to be included in the UT System Consolidated AFR. The Controller's Office at UT System Administration consolidates AFRs from all UT institutions and UT System Administration and prepares appropriate footnotes and other related disclosures so that the UT System Consolidated AFR is prepared in accordance with generally accepted accounting principles. The information included in the UT System Consolidated AFR is the responsibility of management.

The UT M. D. Anderson Cancer Center AFR and the University of Texas Investment Management Company (UTIMCO) funds and corporation were audited by independent external auditors. With the exception of UT Medical Branch (UTMB), the AFRs for the remaining institutions and UT System Administration were audited by internal audit at the institutions and UT System Administration. Because of the disruption caused by Hurricane Ike, a review, instead of an audit, of the UTMB AFR was conducted by UTMB internal audit. The consolidation of the UT System Consolidated AFR and related footnotes were audited by the UT System Audit Office.

**Objectives & Scope**

We have performed an internal audit of the UT System Consolidated AFR and related footnotes for the fiscal year ended August 31, 2008, including the Balance Sheet, Statement of Revenue, Expenses & Changes in Net Assets, and Statement of Cash Flows. The scope of our work was determined as a result of a risk assessment and with reliance on audit work performed at each institution and UT System Administration. The internal audit of the UT System Consolidated AFR was performed for the benefit of management and as requested by The UT System Board of Regents.

**Internal Audit Standards**

The internal audit was performed in accordance with the guidelines set forth in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. As part of our audit, we gained an understanding of internal controls to the extent necessary to perform our audit work, but we do not express an objective opinion on the effectiveness of internal controls.

**Results**

Based upon the results of the audit and independent external audit work performed at the UT institutions and UT System Administration, the information included in the UT System Consolidated AFR and related footnotes, accurately presents, in all material respects, the financial position, results of operations and changes in net assets, and cash flows at August 31, 2008 and for the year then ended. Such presentation is in accordance with accounting and financial reporting requirements for the AFR as promulgated by UT System policy, the Texas Comptroller of Public Accounts, and generally accepted accounting principles.



### **Findings and Recommendations**

Our gaining an understanding of internal control was for the limited purpose of designing our audit procedures to perform our internal audit work. Consequently, we would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

An internal control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is greater than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### **Opportunities for Improvement and Recommendations**

During the course of the internal audits performed at the institutions and UT System Administration, opportunities were noted for management to address System-wide control deficiencies that are neither material nor significant in nature. These opportunities can enhance the ability of management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner.

#### ***Segregation of Duties and Reconciliation of Accounts***

Segregation of duties and reconciliation of accounts are the two most effective activities that provide meaningful assurance that key financial and operational information is complete and accurate and that resources are adequately and effectively safeguarded.

Segregation of duties requires the division of responsibility for the execution of financial transactions among multiple employees. The responsibilities that are assigned to different employees are (1) authority to act, (2) recording of the action, and (3) reconciling of authorized actions to reported actions. Reconciliation of accounts compares the documents approved by a budget authority (requisitions, purchases, payrolls, etc) and maintained at the budget authority level with the transactions recorded in the financial system. All reconciliations should be reviewed by a second employee, usually the budget authority, to ensure that they are being performed properly and timely, and that reconciling items are explained and cleared.

UT System UTS 142.1, *Policy on the Annual Financial Report* provides guidance concerning certification and sub-certification requirements. The Chief Administrative Officer, Financial Reporting Officer, and Internal Audit Director at each institution certify to the UT System Financial Reporting Officer that the institutional AFRs are fairly presented. Additionally, each account owner is to provide a sub-certification annually to the institutional Financial Reporting Officer. These certifications include statements on responsibilities for reconciliation and



The University of Texas System Audit Office  
UT System Consolidated Annual Financial Report Audit for FY 2008  
FY 2008

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segregation of duties and include a statement that they have reconciled all of their account statements for the fiscal year.

Among the UT System institutions, there is a wide divergence in the practice of segregation of duties and reconciliation of accounts and in the application of account reconciliation risk mitigation strategies. While these two practices are utilized to some extent at each UT institution, the institutions' application was found to be inconsistent during the AFR audits performed.

General overall control deficiencies found were in the areas of:

1. Performing departmental reconciliation of all accounts.
2. Segregating incompatible duties to the extent that is allowed by departmental resources.
3. Performing on-going monitoring of departmental reconciliation of accounts.
4. Requiring all departmental account holders to certify on at least an annual basis the continuing existence of segregation of duties and the timely monthly reconciliation of accounts.
5. Determining the validity of the certifications.

**Recommendation:**

Revise UTS 142.1, *Policy on the Annual Financial Report* to:

1. Require sub-certification by all department heads or account owners (whose accounts are not maintained by the Dean or Division Head office) to their respective Dean or Division Head. It is also acceptable for department heads to sub-certify directly to the Financial Reporting Officer.
2. Require Deans and Division Heads to report to the institutional Financial Reporting Officer any department head who fails to sub-certify as required.
3. Require each institutional Financial Reporting Officer to develop a monitoring plan for segregation of duties and reconciliation of accounts. The monitoring plan should be risk-based but also include random monitoring of low risk departments and should cover all periods in the fiscal year.
4. Require each institutional Financial Reporting Officer, after consultation with the Institutional Audit Director, to file their Segregation of Duties and Reconciliation of Accounts Monitoring Plan by February 28<sup>th</sup> for the first year this requirement is in effect and any significant changes to the plan by February 28<sup>th</sup> for all subsequent years, with the UT System Financial Reporting Officer.
5. Require modification of the Certifications procedure (Procedure 3) to include the sentence, "They will certify that the Segregation of Duties and Reconciliation of Accounts Monitoring Plan was completed as approved."
6. Require Institutional Internal Audit to test annually, within 60 days of the fiscal year end, the monitoring plan, the sub-certifications and validate the assertions on segregation of duties and reconciliation of accounts.

**Management's Response:** *Policy will be revised.*

**Implementation Date:** *December 19, 2008*



*Access Control*

An opportunity for improvement exists in the Departmental Financial Information Network (\*DEFINE) application that impacts the institutions that use \*DEFINE: UT Arlington, UT Austin, UT El Paso, UT Permian Basin, UT San Antonio, UT Tyler, and UT System Administration. \*DEFINE allows a limited number of individuals to modify transactions that have been created and then approve those transactions. Modifications to the original transactions are not recorded in the document history and the creator is not notified that their original document or transaction has been modified. Reconciliation of the account would uncover a fraudulent transaction only if the reconciliations are performed by a person who does not have this high level of access.

**Recommendation:**

The Systemwide Chief Information Officer should work with UT Austin to correct this segregation of duties issue with \*DEFINE caused by the high level access right to prevent the approval of fraudulent transactions and record any changes to original documents by a person other than the creator.

**Management's Response:** *We agree with the principle that logging is a common feature in any Enterprise Resource Planning (ERP) system and will implement this change as requested by March 1, 2009. The requested additional control is not costly or complex and will be implemented for all \*DEFINE campuses by the end of the next fiscal quarter. When completed, if a payee, payment address, check distribution method, and/or amount is changed during the transaction's workflow (after the initial creators' approval), this change will be logged. The log will be accessible via a report on demand, and information about these changes will also be stored in the electronic document's "notes" section. This will enable creators, approvers, processing offices, and auditors to access any changes online, real time.*

**Implementation Date:** *March 1, 2009*

**In Closing**

We appreciate the assistance provided to us during the audit by management and financial services personnel. We hope the information included in the UT System Consolidated AFR and presented in this audit report is helpful.

Sincerely,

Charles G. Chaffin  
Chief Audit Executive



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/11/2009

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

Board Meeting: 2/12/2009  
Austin, Texas

	Committee Meeting	Board Meeting	Page
<b>Convene</b>	1:30 p.m. Chairman Rowling		
1. <b>U. T. System: Discussion and appropriate action related to approval of Docket No. 137</b>	1:30 p.m. <b>Discussion</b> Dr. Kelley	<b>Action</b>	<b>51</b>
2. <b>U. T. System: Report on the Fiscal Year 2008 Annual Financial Report</b>	1:32 p.m. <b>Report</b> Mr. Wallace	Not on Agenda	<b>51</b>
3. <b>U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2008</b>	1:42 p.m. <b>Report</b> Mr. Wallace	Not on Agenda	<b>52</b>
4. <b>U. T. System: Key Financial Indicators Report and Monthly Financial Report</b>	1:51 p.m. <b>Report</b> Dr. Kelley	Not on Agenda	<b>52</b>
5. <b>U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2008</b>	2:00 p.m. <b>Report</b> Mr. Zimmerman	<b>Report</b>	<b>62</b>
6. <b>U. T. System Board of Regents: Approval of amendments to the Exhibits of the Investment Policy Statements regarding changes to benchmarks and maximum range of Credit-Related Fixed Income asset class for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund</b>	2:10 p.m. <b>Action</b> Mr. Zimmerman	<b>Action</b>	<b>68</b>
7. <b>U. T. System Board of Regents: Adoption of a Resolution authorizing the execution of a credit agreement with the Texas Comptroller of Public Accounts, in an aggregate principal amount not to exceed \$500,000,000, to provide liquidity support to the U. T. System related to its variable rate debt programs and authorization to complete all related transactions</b>	2:15 p.m. <b>Action</b> Mr. Aldridge	<b>Action</b>	<b>72</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. System: Approval of additional aggregate amount of \$10,250,000 of Revenue Financing System Equipment Financing for Fiscal Year 2009 and resolution regarding parity debt</b>	2:25 p.m. <b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>75</b>
<b>Adjourn</b>	2:30 p.m.		

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 137**

**RECOMMENDATION**

It is recommended that *Docket No. 137* be approved.

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

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

2. **U. T. System: Report on the Fiscal Year 2008 Annual Financial Report**

**REPORT**

Mr. Randy Wallace, Associate Vice Chancellor, Controller and Chief Budget Officer, will discuss the 2008 Annual Financial Report highlights.

The U. T. System Consolidated Financial Statements for the Years Ended August 31, 2008 and 2007 includes the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2008. An audit of the U. T. System Consolidated Annual Financial Report was performed by internal audit Systemwide and the findings and recommendations will be presented at the Audit Compliance Management Review Committee meeting (see Item 6 on Page 44).

**Supplemental Materials:**

- **Mr. Wallace's PowerPoint presentation on Pages 119 - 132 of Volume 2.**
- **Annual Financial Report on Pages 133 - 226 of Volume 2.**

**BACKGROUND INFORMATION**

The Annual Financial Report is required to be filed with the State Comptroller of Public Accounts annually on November 20 and is prepared in compliance with *Texas Government Code* Section 2101.011, regarding requirements established by the State Comptroller of Public Accounts and Governmental Accounting Standards Board pronouncements.

3. **U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2008**

REPORT

The Analysis of Financial Condition is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory." One institution's rating was downgraded from "Watch" to "Unsatisfactory," and the rating of one institution has been upgraded from "Watch" to "Satisfactory."

An Executive Summary of the report can be found on Pages 229 - 234 of Volume 2.

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

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2004 through Fiscal Year 2008.

**Supplemental Materials: Report on Pages 227 - 290 of Volume 2.**

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 54 - 61 that follow, and the December Monthly Financial Report included in Volume 2. The reports represent the consolidated and individual operating results of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2005 through November 2008. Ratios requiring balance sheet data are provided for Fiscal Year 2004 through Fiscal Year 2008.

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

**Supplemental Materials: December Monthly Financial Report on Pages 291 - 315 of Volume 2.**

# THE UNIVERSITY OF TEXAS SYSTEM



## QUARTERLY KEY FINANCIAL INDICATORS REPORT

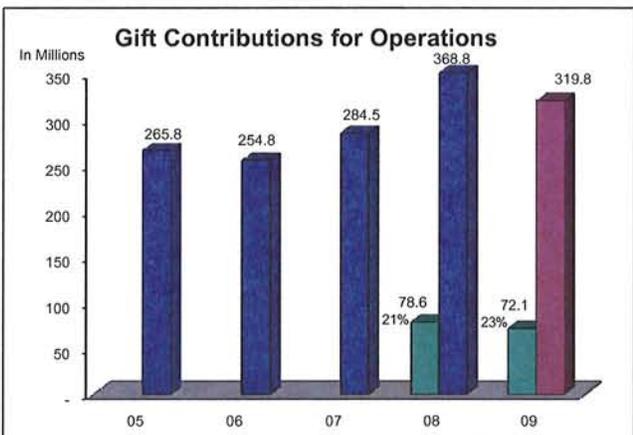
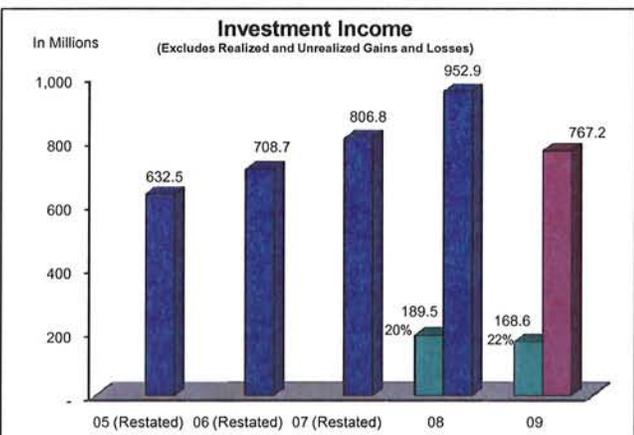
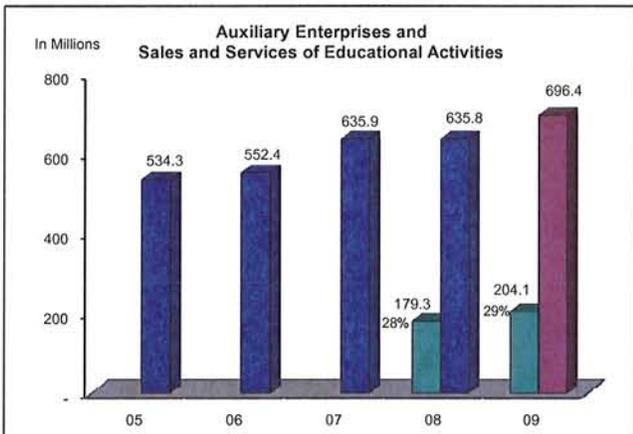
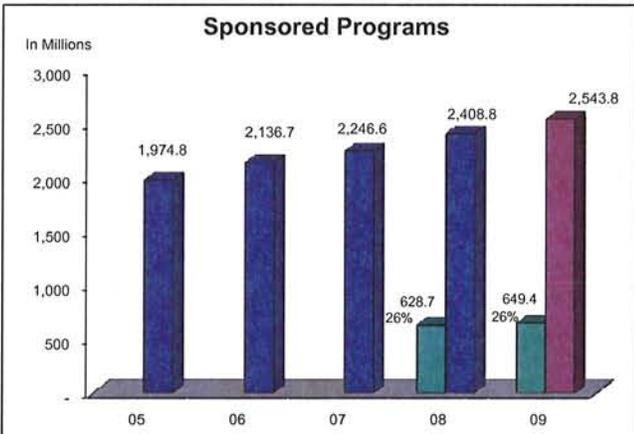
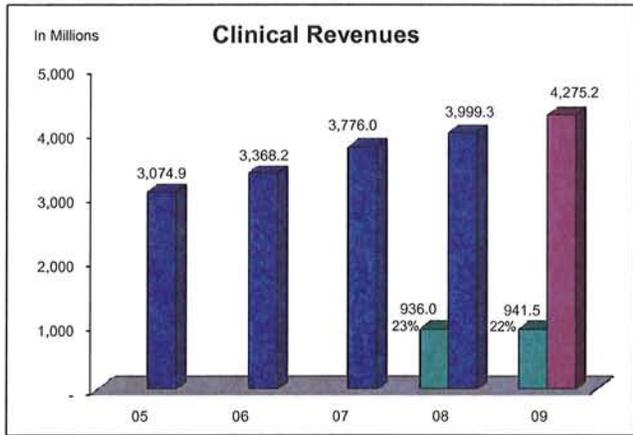
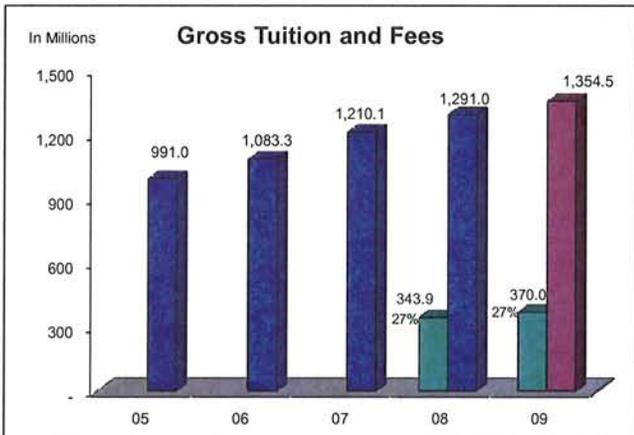
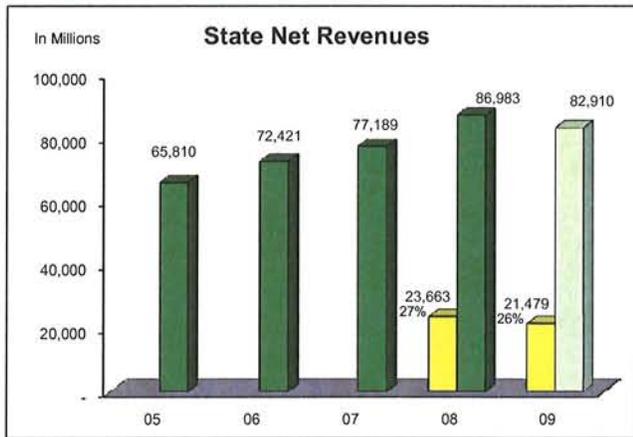
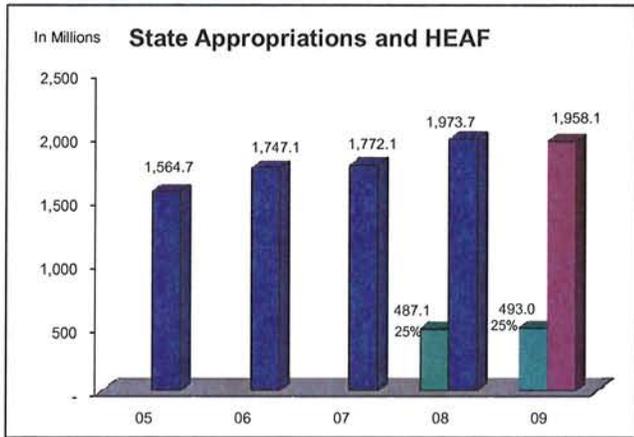
**1ST QUARTER FY 2009**

## KEY

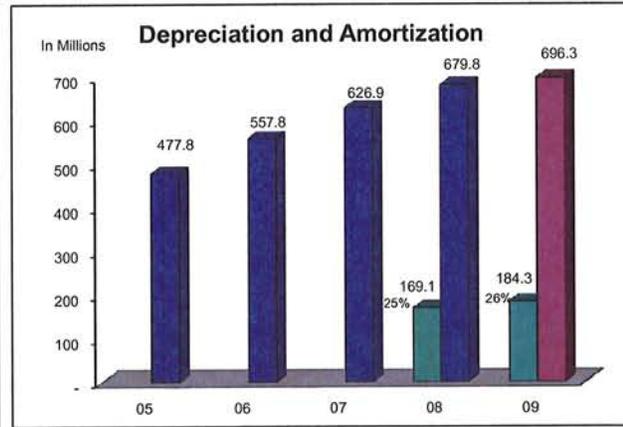
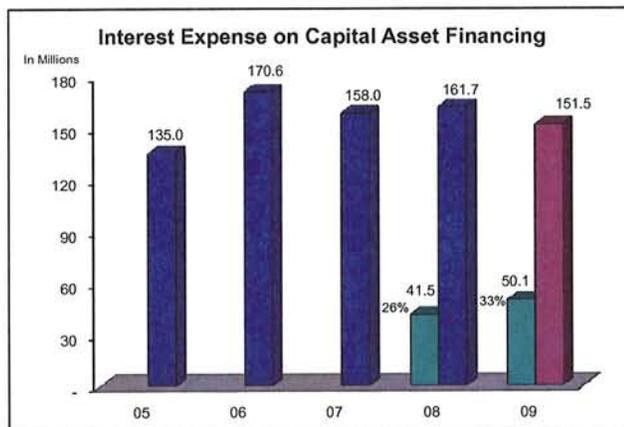
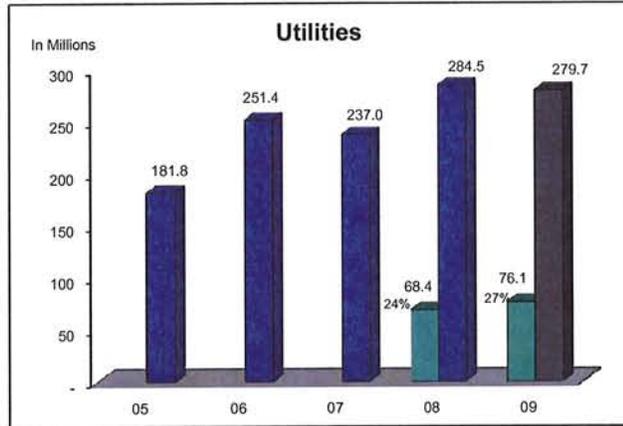
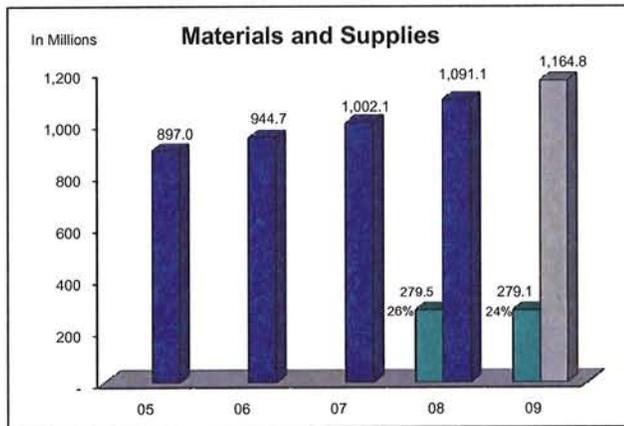
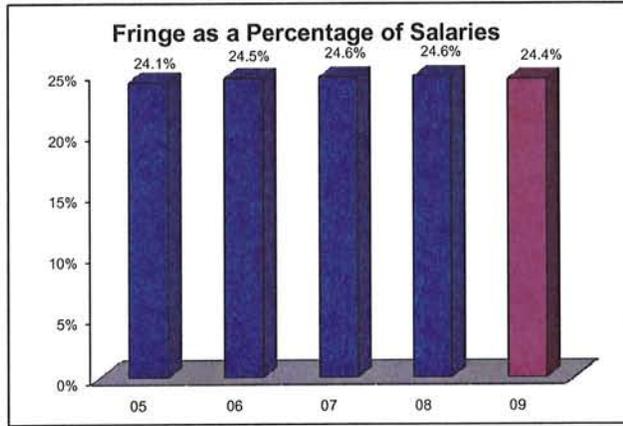
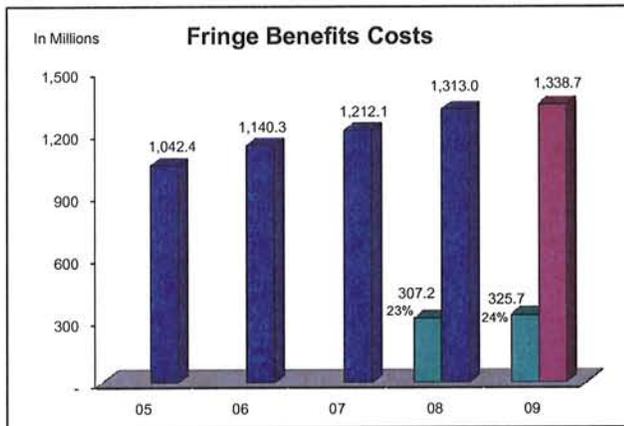
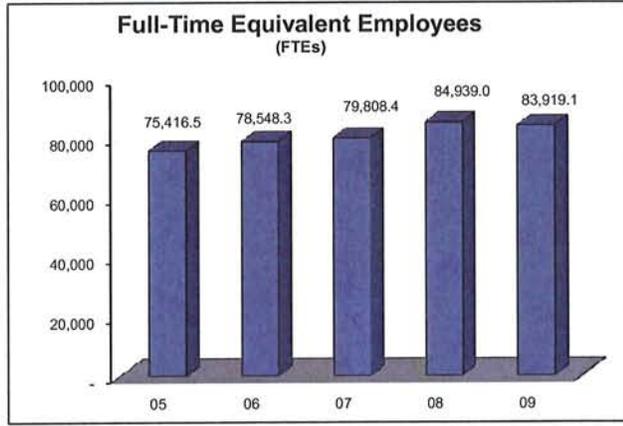
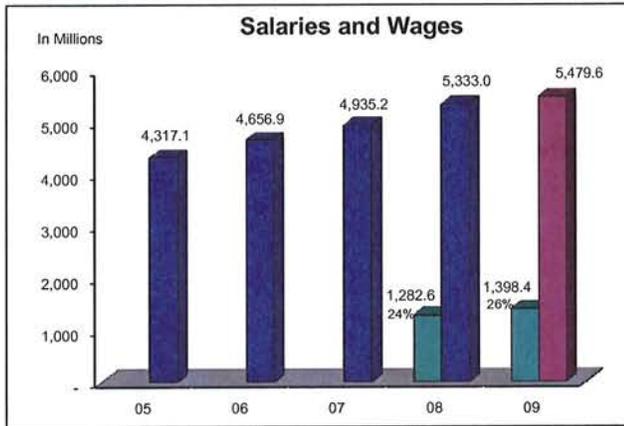
	<b>Actual Annual Amounts</b> (SOURCE: Annual Financial Reports)
	<b>Budget amounts</b> (SOURCE: Operating Budget Summary)
	<b>Projected Amounts based on the average change of the previous three years of data</b>
	<b>Monthly Financial Report Year-to-Date Amounts</b>
	<b>Annual State Net Revenue Collections</b> (SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)
	<b>Year-to-Date State Net Revenue Collections</b> (SOURCE: State Comptroller's Office)
	<b>Estimated State Revenue Collections</b> (SOURCE: Biennial Revenue Estimate, State Comptroller's Office)
	<b>Annual and Quarterly Average of FTEs</b> (SOURCE: State Auditor's Office Quarterly FTE Report)
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	<b>Aaa/Aa1 Median</b> (SOURCE: Moody's)
	<b>A2 Median</b> (SOURCE: Moody's)
	<b>Good Facilities Condition Index (Below 5%)</b>
	<b>Fair Facilities Condition Index (5% - 10%)</b>

**KEY INDICATORS OF REVENUES  
ACTUAL 2005 THROUGH 2008  
PROJECTED 2009**

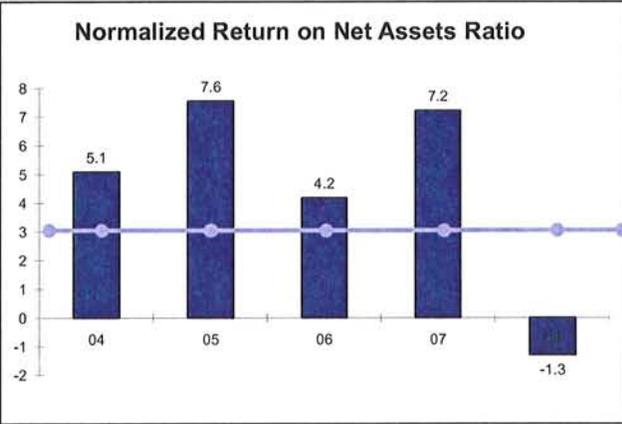
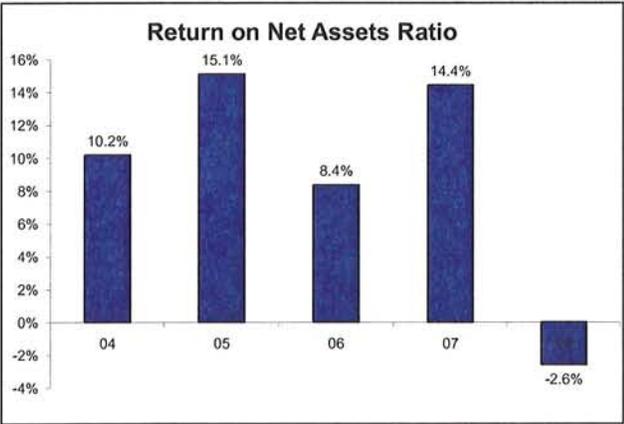
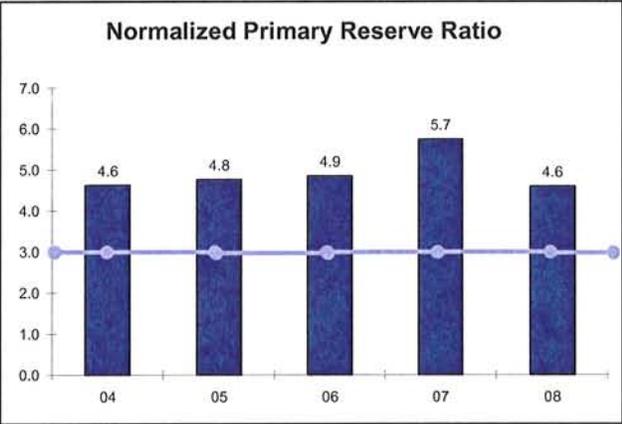
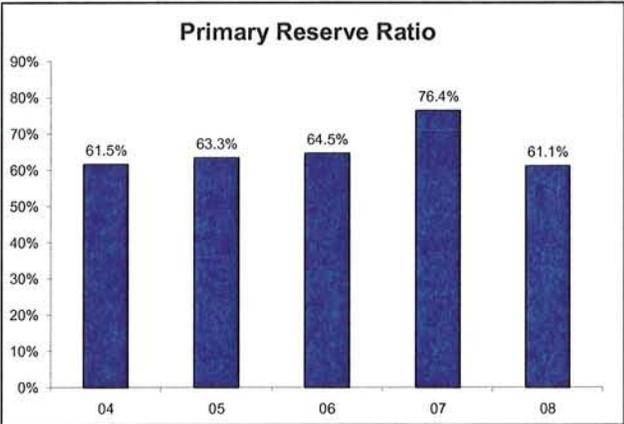
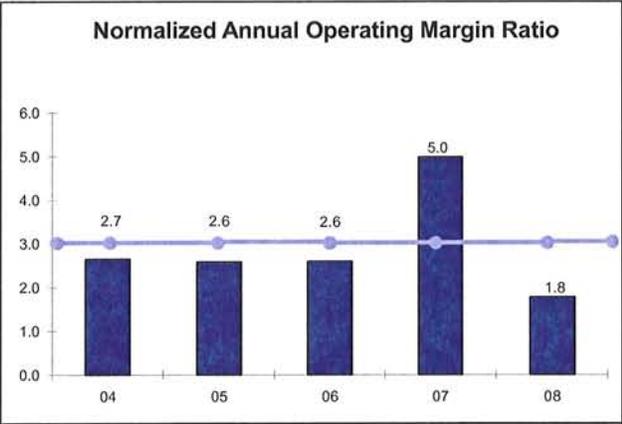
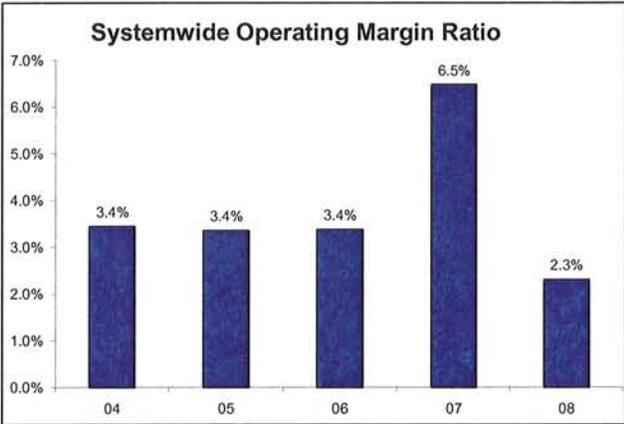
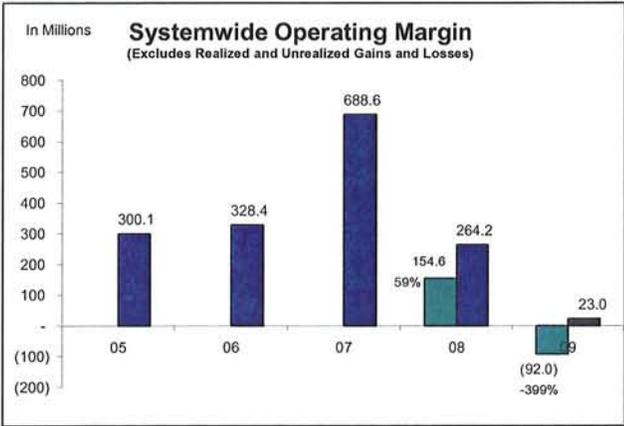
**YEAR-TO-DATE 2008 AND 2009 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



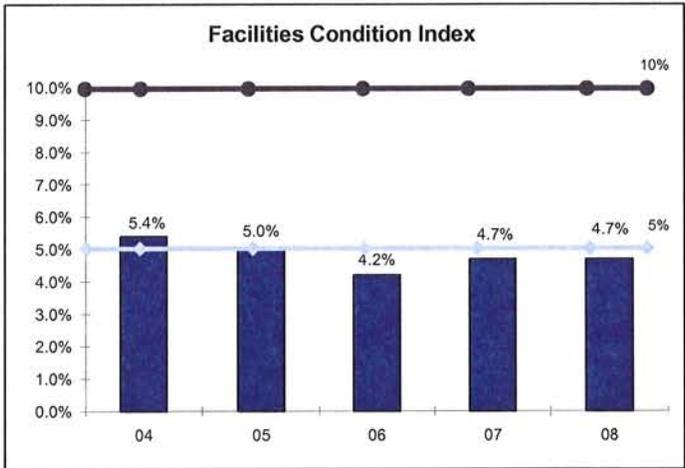
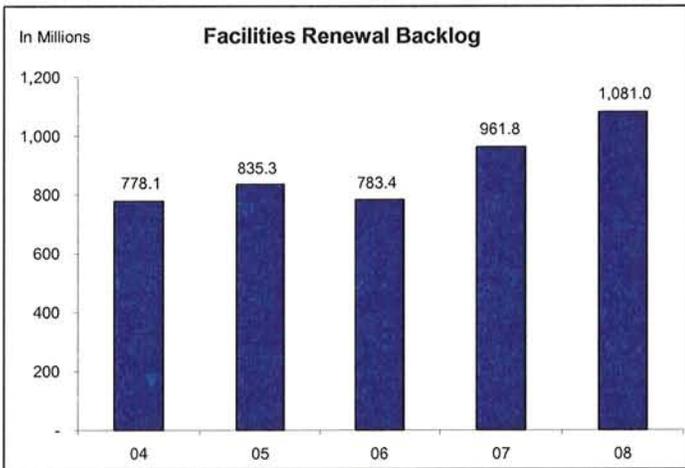
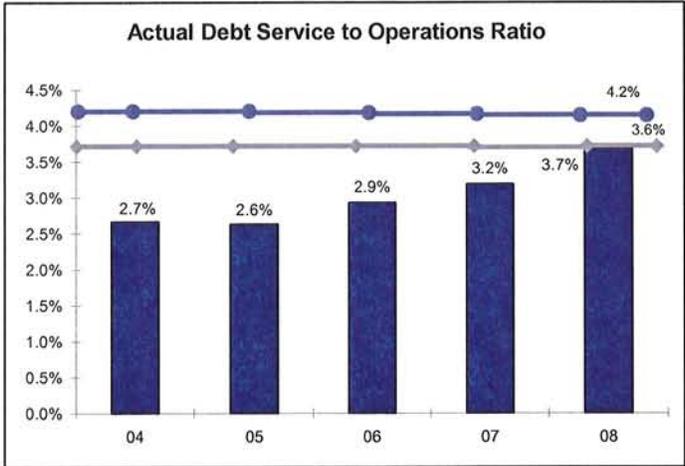
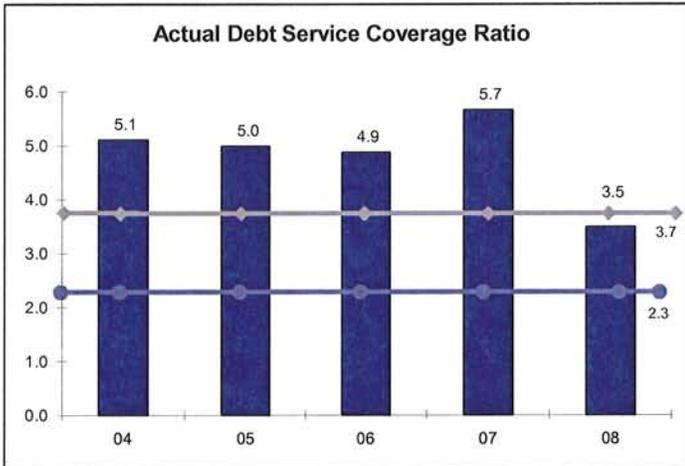
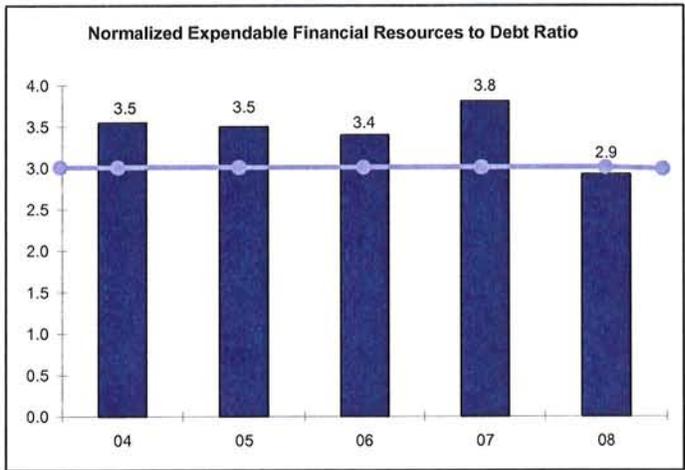
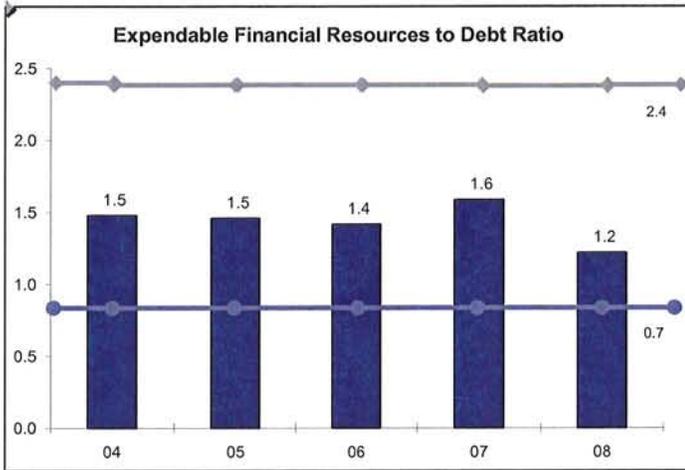
**KEY INDICATORS OF EXPENSES**  
**ACTUAL 2005 THROUGH 2008**  
**PROJECTED 2009**  
**YEAR-TO-DATE 2008 AND 2009 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



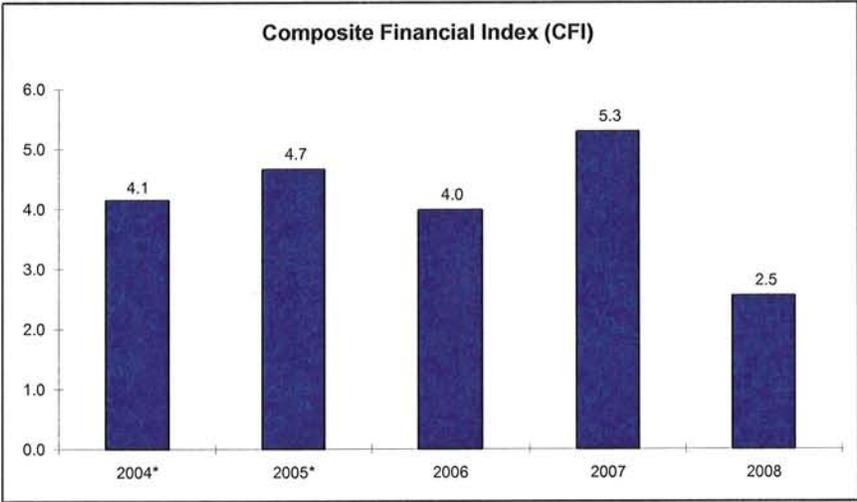
**KEY INDICATORS OF RESERVES**  
**ACTUAL 2004 THROUGH 2008**  
**PROJECTED 2009**  
**YEAR-TO-DATE 2008 AND 2009 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



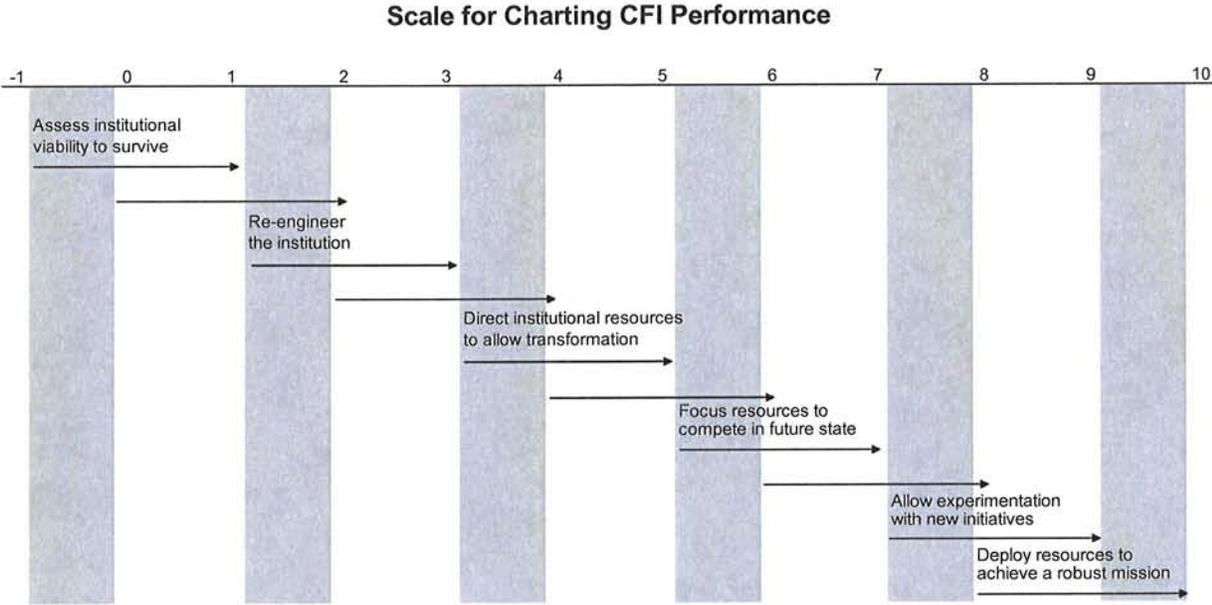
# KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2004 THROUGH 2008



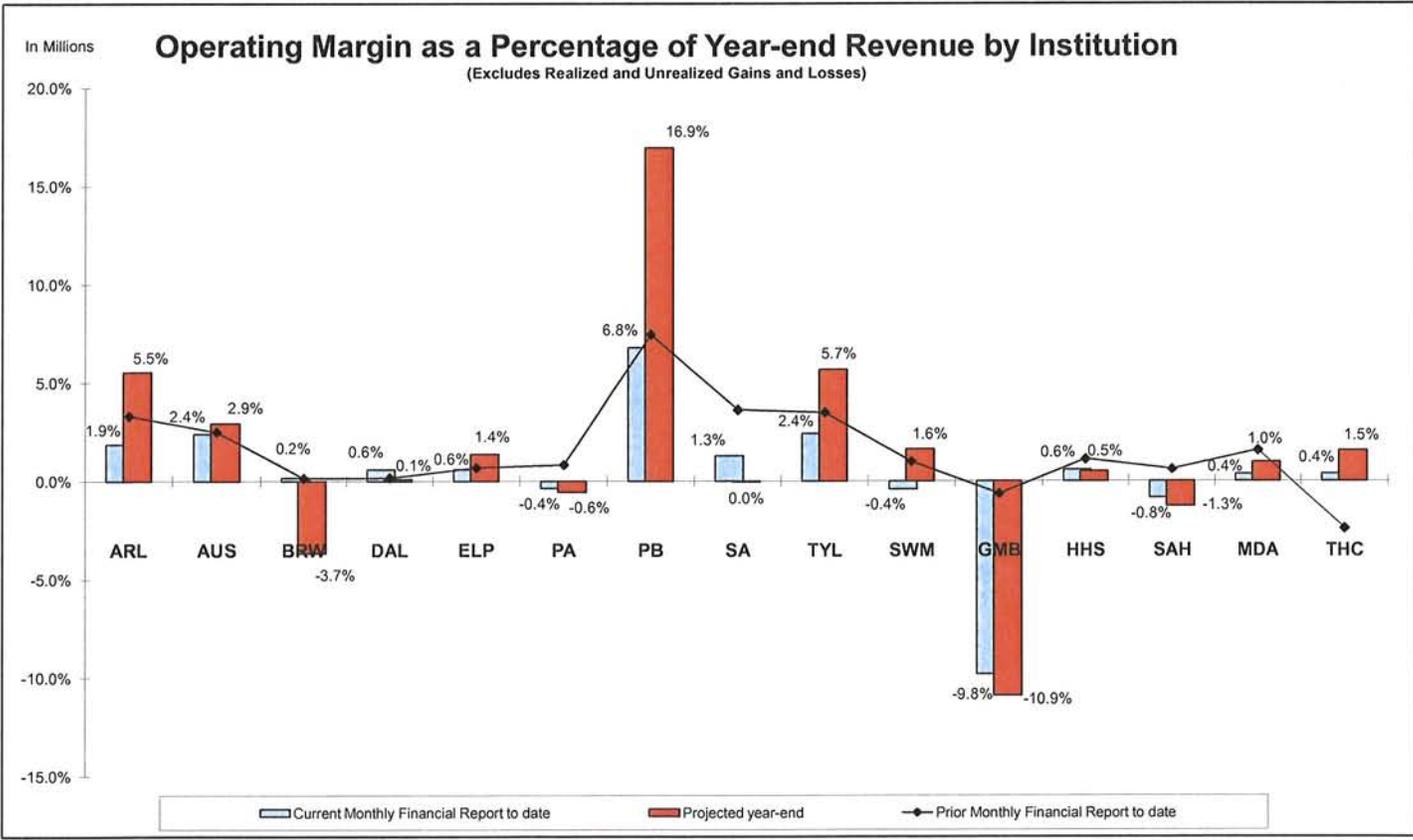
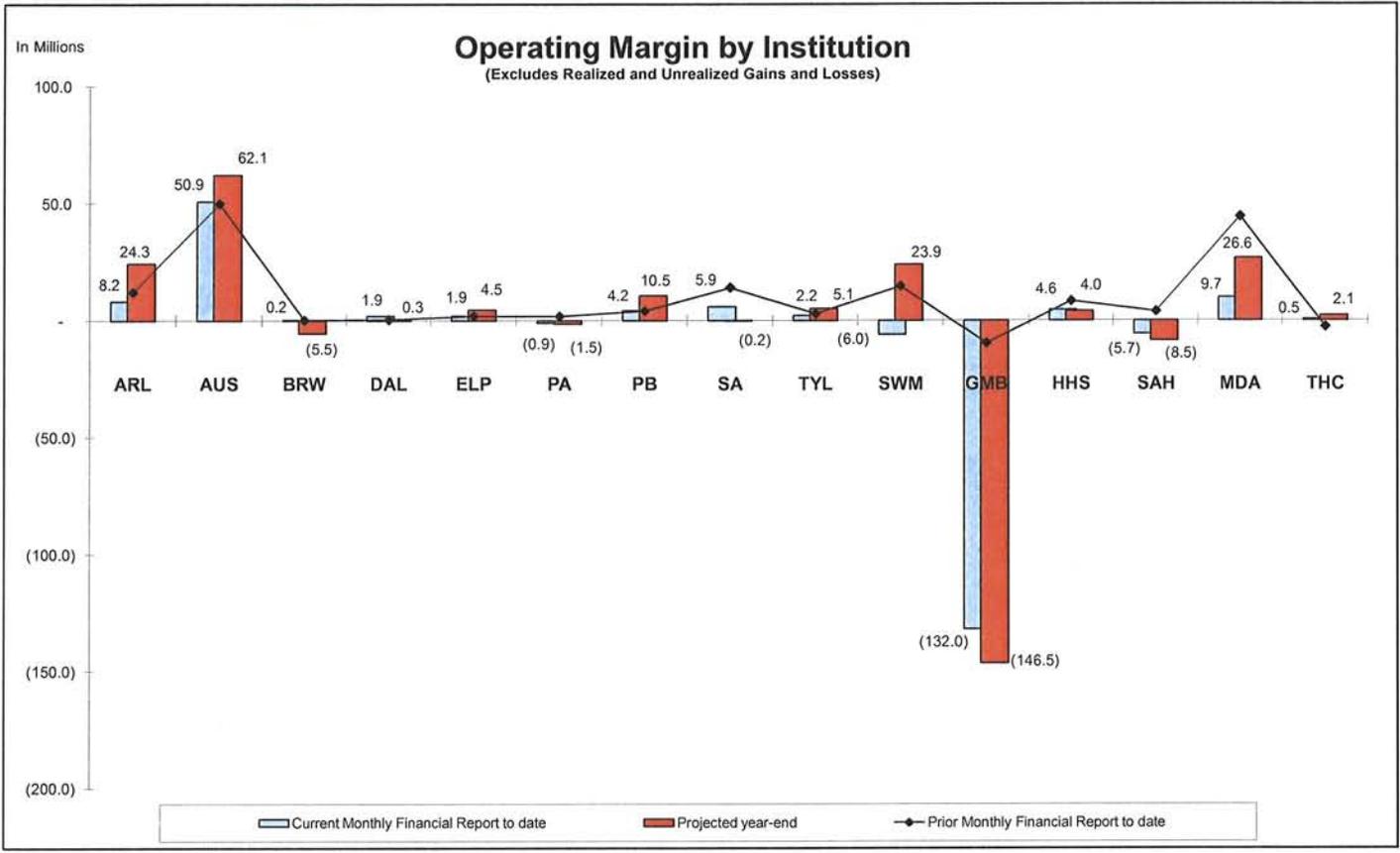
# KEY INDICATORS OF FINANCIAL HEALTH 2004 THROUGH 2008



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



**KEY INDICATORS OF RESERVES**  
**YEAR-TO-DATE 2008 AND 2009 FROM DECEMBER MONTHLY FINANCIAL REPORT**  
**PROJECTED 2009 YEAR-END MARGIN**



5. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2008**

REPORT

The November 30, 2008 UTIMCO Performance Summary Report is attached on Page 63.

The Investment Reports for the fiscal quarter ended November 30, 2008, are set forth on Pages 64 - 67.

Item I on Page 64 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was negative 22.66% versus its composite benchmark return of negative 23.71%. The PUF's net asset value decreased by \$2,522 million since the beginning of the quarter to \$8,838 million. This change in net asset value includes increases due to contributions from PUF land receipts, decreases due to net investment return, and the first payment of the annual distribution to the Available University Fund (AUF) of \$133 million.

Item II on Page 65 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was negative 22.81% versus its composite benchmark return of negative 23.71%. The GEF's net asset value decreased during the quarter to \$4,846 million.

Item III on Page 66 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative 21.68% versus its composite benchmark return of negative 22.20%. The net asset value has decreased to \$3,011 million due to net investment return of negative \$842 million and net distributions of \$27 million. The decrease in net asset value was offset by \$8 million net contributions.

For the PUF and GEF, the More Correlated and Constrained (MCC) and Private Investments were outside of their investment type ranges with MCC below its minimum range and Private Investments above its maximum range. All exposures were within their asset class ranges. The ITF was within all of its investment type and asset class ranges. All of the funds' liquidity was within policy.

Item IV on Page 67 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$32 million to \$1,592 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$24 million versus \$25 million at the beginning of the period; equities: \$46 million versus \$72 million at the beginning of the period; and other investments: \$1 million versus \$4 million at the beginning of the period.

# UTIMCO Performance Summary

November 30, 2008

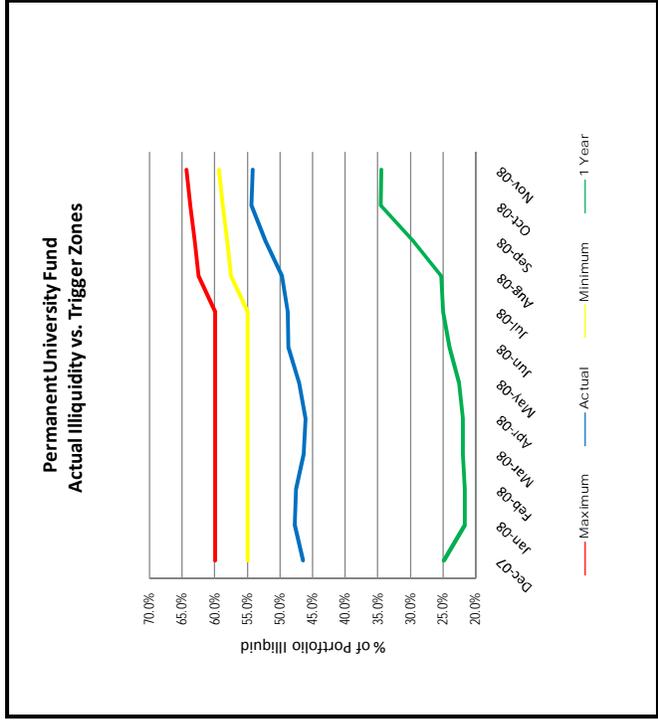
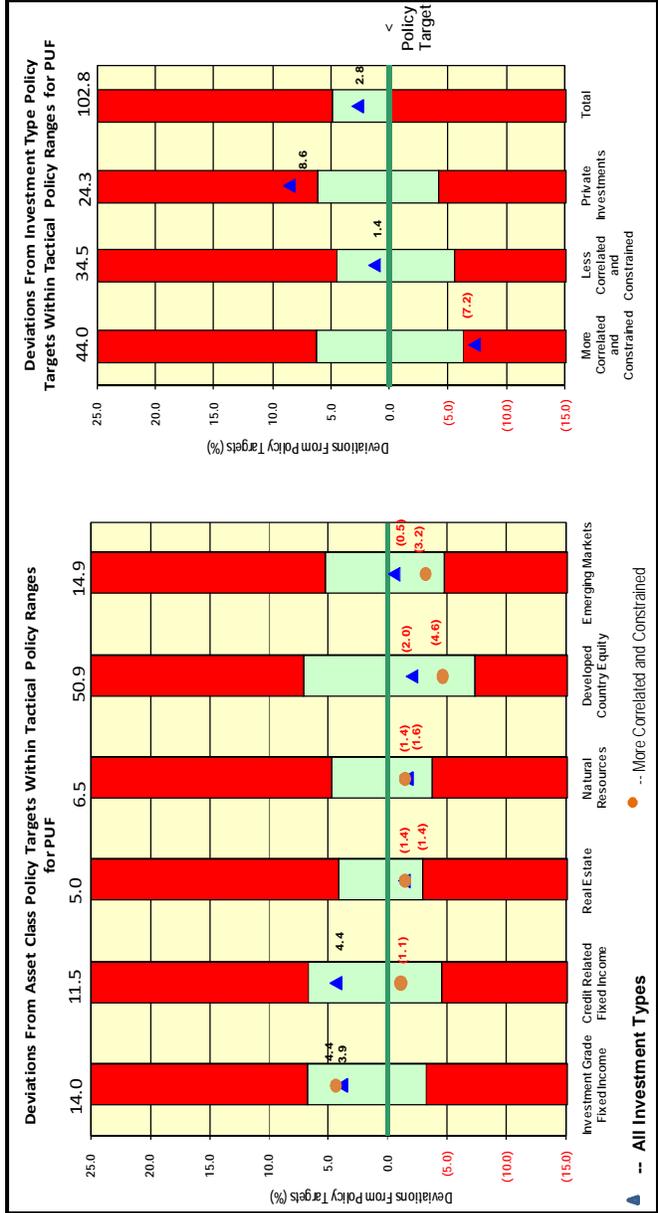
	Net Asset Value 11/30/2008 (in Millions)	Periods Ended November 30, 2008 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns														
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs											
<b>ENDOWMENT FUNDS</b>																				
Permanent University Fund	\$ 8,838	(5.60)	(22.66)	(22.66)	(27.91)	(28.03)	(2.00)	4.15	4.35											
General Endowment Fund		(5.71)	(22.81)	(22.81)	(27.97)	(28.04)	(1.80)	4.22	N/A											
Permanent Health Fund	781	(5.65)	(22.76)	(22.76)	(27.93)	(28.01)	(1.84)	4.15	N/A											
Long Term Fund	4,065	(5.65)	(22.76)	(22.76)	(27.93)	(28.01)	(1.84)	4.15	5.20											
Separately Invested Funds	130	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
<b>Total Endowment Funds</b>	<b>13,814</b>																			
<b>OPERATING FUNDS</b>																				
Short Term Fund	1,533	0.17	0.63	0.63	2.85	3.28	4.54	3.56	3.71											
Intermediate Term Fund	3,011	(3.24)	(21.68)	(21.68)	(25.34)	(25.42)	N/A	N/A	N/A											
<b>Total Operating Funds</b>	<b>4,544</b>																			
<b>Total Investments</b>	<b>\$ 18,358</b>																			
<b>VALUE ADDED</b>																				
Permanent University Fund		(1.43)	1.05	1.05	2.17	2.19	1.41	1.40	0.90											
General Endowment Fund		(1.54)	0.90	0.90	2.11	2.18	1.61	1.47	N/A											
Short Term Fund		0.07	0.12	0.12	0.80	0.94	0.47	0.29	0.21											
Intermediate Term Fund		0.13	0.52	0.52	2.17	2.42	N/A	N/A	N/A											
<b>VALUE ADDED (\$ IN MILLIONS)</b>																				
Permanent University Fund		(133)	118	118	262	265	372	585	N/A											
General Endowment Fund		(80)	58	58	144	149	237	335	N/A											
Intermediate Term Fund		4	20	20	87	97	N/A	N/A	N/A											

Footnotes available upon request.

**I. PERMANENT UNIVERSITY FUND**  
**Investment Reports for Periods Ended November 30, 2008**  
 Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows				
	Fiscal Year Ended August 31, 2008	Quarter Ended November 30, 2008	Fiscal Year Ended August 31, 2009	
Beginning Net Assets	\$ 11,742.8	\$ 11,359.5	\$ 11,359.5	
PUF Lands Receipts	457.7	168.7	168.7	
Investment Return	(339.5)	(2,550.7)	(2,550.7)	
Expenses	(52.6)	(7.2)	(7.2)	
Distributions to AUF	(448.9)	(132.7)	(132.7)	
Ending Net Assets	\$ 11,359.5	\$ 8,837.6	\$ 8,837.6	

	Fiscal Year to Date			
	Returns		Value Added	
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection
<b>More Correlated and Constrained:</b>				
Investment Grade	-7.97%	-3.23%	0.47%	-0.33%
Credit-Related	-9.03%	-30.39%	-0.21%	0.31%
Real Estate	-42.20%	-44.04%	0.09%	0.12%
Natural Resources	-43.30%	-35.94%	0.08%	-0.43%
Developed Country	-34.10%	-33.22%	0.56%	-0.22%
Emerging Markets	-45.98%	-44.59%	0.66%	-0.20%
<b>Total More Correlated and Constrained</b>	<b>-32.44%</b>	<b>-33.99%</b>	<b>1.65%</b>	<b>-0.75%</b>
<b>Less Correlated and Constrained</b>	<b>-16.44%</b>	<b>-18.23%</b>	<b>0.04%</b>	<b>0.55%</b>
<b>Private Investments</b>	<b>-9.03%</b>	<b>-0.11%</b>	<b>0.62%</b>	<b>-1.06%</b>
<b>Total</b>	<b>-22.66%</b>	<b>-23.71%</b>	<b>2.31%</b>	<b>-1.26%</b>
				<b>1.05%</b>



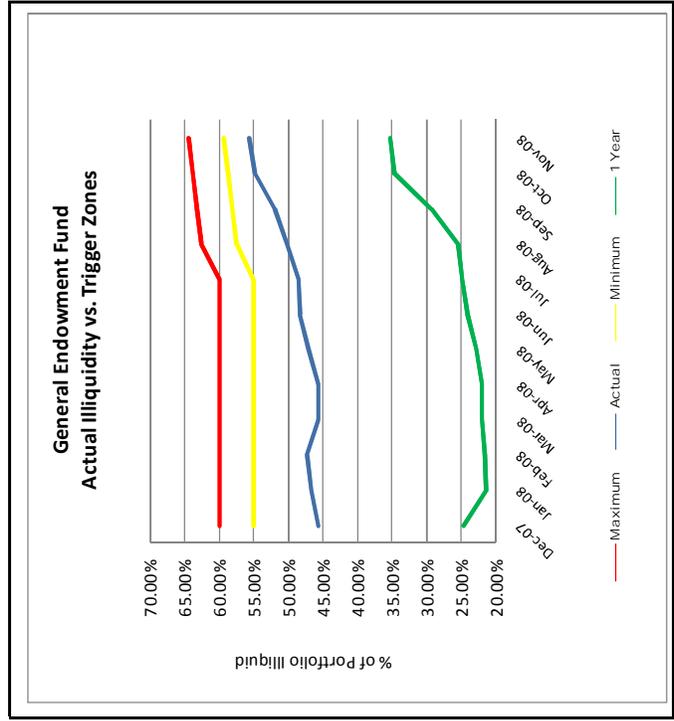
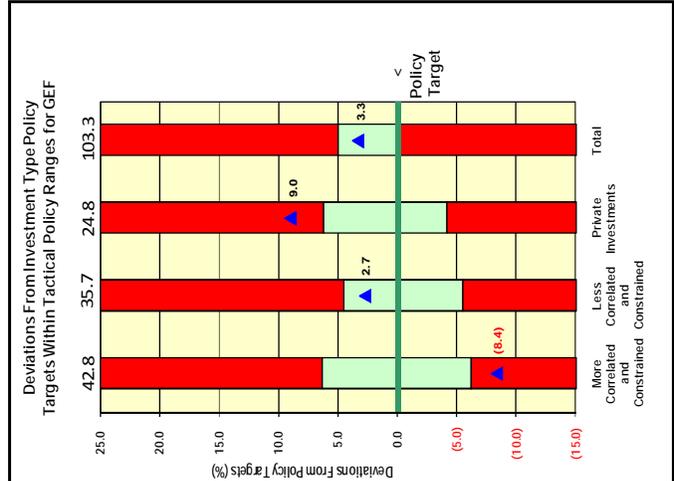
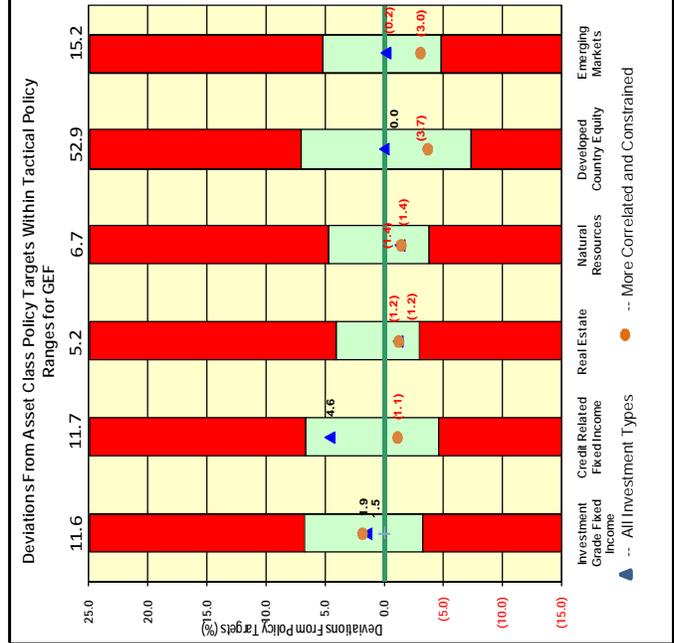
## II. GENERAL ENDOWMENT FUND

### Investment Reports for Periods Ended November 30, 2008

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2008	Quarter Ended November 30, 2008	Fiscal Year Ended August 31, 2009
Beginning Net Assets	\$ 6,433.1	\$ 6,310.4	\$ 6,310.4
Contributions	358.6	52.3	52.3
Withdrawals	(20.2)	(1.2)	(1.2)
Distributions	(259.0)	(68.9)	(68.9)
Investment Return	(180.8)	(1,444.2)	(1,444.2)
Expenses	(21.3)	(2.0)	(2.0)
Ending Net Assets	\$ 6,310.4	\$ 4,846.4	\$ 4,846.4

	Fiscal Year to Date		
	Returns	From Asset Allocation	From Security Selection
<b>More Correlated and Constrained:</b>			
Investment Grade	-7.62%	0.39%	-0.31%
Credit-Related	-9.04%	-0.20%	0.31%
Real Estate	-42.24%	0.06%	0.11%
Natural Resources	-42.59%	0.09%	-0.40%
Developed Country	-34.53%	0.57%	-0.31%
Emerging Markets	-45.87%	0.63%	-0.19%
<b>Total More Correlated and Constrained</b>	<b>-32.83%</b>	<b>-1.54%</b>	<b>-0.79%</b>
<b>Less Correlated and Constrained</b>			
Private Investments	-9.02%	0.59%	-1.05%
<b>Total</b>	<b>-22.81%</b>	<b>-2.18%</b>	<b>-1.28%</b>

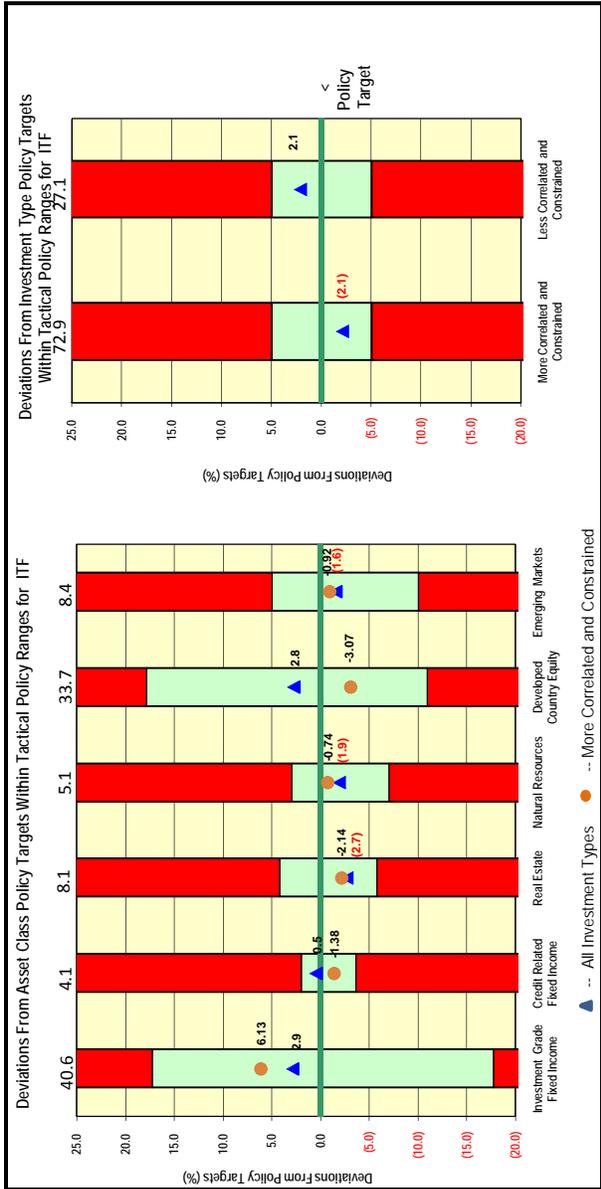
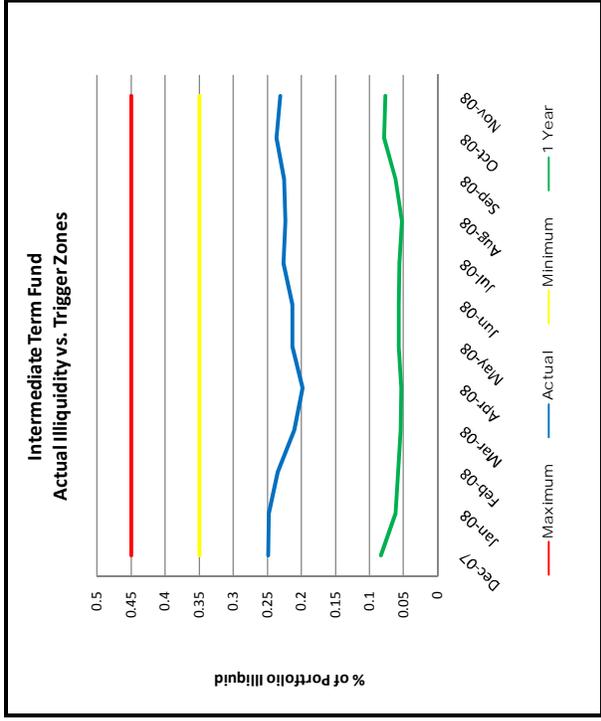


### III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended November 30, 2008

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows				
(\$ millions)	Fiscal Year Ended August 31, 2008	Quarter Ended November 30, 2008	Fiscal Year Ended August 31, 2009	
	Beginning Net Assets	\$ 3,720.6	\$ 3,874.8	
Contributions	1,639.1	149.7	149.7	
Withdrawals	(1,335.3)	(142.1)	(142.1)	
Distributions	(118.6)	(26.6)	(26.6)	
Investment Return	(7.5)	(842.3)	(842.3)	
Expenses	(23.5)	(3.0)	(3.0)	
Ending Net Assets	\$ 3,874.8	\$ 3,010.5	\$ 3,010.5	

	Fiscal Year to Date		
	Returns	Value Added	Total
	Portfolio	From Asset Allocation	From Security Selection
<b>More Correlated and Constrained:</b>			
Investment Grade	-7.22%	0.50%	-1.17%
Credit-Related	-9.05%	-0.27%	0.45%
Real Estate	-42.27%	0.04%	0.21%
Natural Resources	-39.09%	0.04%	-0.16%
Developed Country	-32.07%	0.11%	0.24%
Emerging Markets	-46.15%	0.20%	-0.10%
<b>Total More Correlated and Constrained</b>	<b>-23.41%</b>	<b>0.62%</b>	<b>-0.53%</b>
<b>Less Correlated and Constrained</b>	<b>-16.59%</b>	<b>-0.16%</b>	<b>0.59%</b>
Private Investments	0.00%	0.00%	0.00%
<b>Total</b>	<b>-21.68%</b>	<b>0.46%</b>	<b>0.06%</b>



**IV. SEPARATELY INVESTED ASSETS**  
**Summary Investment Report at November 30, 2008**  
 Report prepared in accordance with Texas Education Code Sec. 51.0032

ASSET TYPES	FUND TYPE																						
	CURRENT PURPOSE DESIGNATED			RESTRICTED			ENDOWMENT & SIMILAR FUNDS			ANNUITY & LIFE INCOME FUNDS			AGENCY FUNDS			TOTAL EXCLUDING OPERATING FUNDS			OPERATING FUNDS (SHORT TERM FUND)			TOTAL	
	BOOK	MARKET		BOOK	MARKET		BOOK	MARKET		BOOK	MARKET		BOOK	MARKET		BOOK	MARKET		BOOK	MARKET	BOOK	MARKET	
<b>Cash &amp; Equivalents:</b>																							
Beginning value 08/31/08	-	-	3,168	3,168	62,152	62,152	2,083	2,083	2,083	2,083	3,491	3,491	3,491	3,491	70,894	70,894	70,894	70,894	70,894	1,489,067	1,489,067	1,559,961	1,559,961
Increase/(Decrease)	53	(842)	(842)	(842)	(10,629)	(10,629)	(495)	(495)	(495)	205	205	205	205	205	(11,708)	(11,708)	(11,708)	(11,708)	(11,708)	43,929	43,929	32,221	32,221
Ending value 11/30/08	53	53	2,326	2,326	51,523	51,523	1,588	1,588	1,588	3,696	3,696	3,696	3,696	3,696	59,186	59,186	59,186	59,186	59,186	1,532,996	1,532,996	1,592,182	1,592,182
<b>Debt Securities:</b>																							
Beginning value 08/31/08	-	-	265	259	12,605	13,234	11,676	11,959	11,959	-	-	-	-	-	24,546	25,452	25,452	25,452	25,452	-	-	24,546	25,452
Increase/(Decrease)	-	-	-	9	(701)	(862)	(220)	(582)	(582)	-	-	-	-	-	(921)	(1,435)	(1,435)	(1,435)	(1,435)	-	-	(921)	(1,435)
Ending value 11/30/08	-	-	265	268	11,904	12,372	11,456	11,377	11,377	-	-	-	-	-	23,625	24,017	24,017	24,017	24,017	-	-	23,625	24,017
<b>Equity Securities:</b>																							
Beginning value 08/31/08	18	13,563	440	415	33,906	34,764	25,452	23,473	23,473	-	-	-	-	-	59,816	72,215	72,215	72,215	72,215	-	-	59,816	72,215
Increase/(Decrease)	(1)	(7,041)	89	54	(3,524)	(12,075)	(1,083)	(7,629)	(7,629)	-	-	-	-	-	(4,519)	(26,691)	(26,691)	(26,691)	(26,691)	-	-	(4,519)	(26,691)
Ending value 11/30/08	17	6,522	529	469	30,382	22,689	24,369	15,844	15,844	-	-	-	-	-	55,297	45,524	45,524	45,524	45,524	-	-	55,297	45,524
<b>Other:</b>																							
Beginning value 08/31/08	-	-	3,196	3,196	3	3	321	130	130	1,054	1,054	1,054	1,054	1,054	4,574	4,383	4,383	4,383	4,383	-	-	4,574	4,383
Increase/(Decrease)	-	-	(2,362)	(2,362)	6	6	-	-	-	(789)	(789)	(789)	(789)	(789)	(3,145)	(3,145)	(3,145)	(3,145)	(3,145)	-	-	(3,145)	(3,145)
Ending value 11/30/08	-	-	834	834	9	9	321	130	130	265	265	265	265	265	1,429	1,238	1,238	1,238	1,238	-	-	1,429	1,238
<b>Total Assets:</b>																							
Beginning value 08/31/08	18	13,563	7,069	7,038	108,666	110,153	39,532	37,645	37,645	4,545	4,545	4,545	4,545	4,545	159,830	172,944	172,944	172,944	172,944	1,489,067	1,489,067	1,648,897	1,662,011
Increase/(Decrease)	52	(6,988)	(3,115)	(3,141)	(14,848)	(23,560)	(1,798)	(8,706)	(8,706)	(584)	(584)	(584)	(584)	(584)	(20,293)	(42,979)	(42,979)	(42,979)	(42,979)	43,929	43,929	23,636	950
Ending value 11/30/08	70	6,575	3,954	3,897	93,818	86,593	37,734	28,939	28,939	3,961	3,961	3,961	3,961	3,961	139,537	129,965	129,965	129,965	129,965	1,532,996	1,532,996	1,672,533	1,662,961

Details of individual assets by account furnished upon request.

**6. U. T. System Board of Regents: Approval of amendments to the Exhibits of the Investment Policy Statements regarding changes to benchmarks and maximum range of Credit-Related Fixed Income asset class for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund**

RECOMMENDATION

Contingent upon approval by the Board of Directors of The University of Texas Investment Management Company (UTIMCO) of the following recommendations at the UTIMCO Board's February 5, 2009 meeting, the Chancellor and the Executive Vice Chancellor for Business Affairs concur in the UTIMCO Board of Directors' recommendation that the U. T. System Board of Regents approve proposed amendments to the Exhibits of the Investment Policy Statements summarized as follows:

- a. Benchmark changes:
  - Rename the Lehman Brothers Global Aggregate Index to the Barclays Capital Global Aggregate Index for the Investment Grade Fixed Income asset class
  - Rename the Lehman Brothers Global High-Yield Index to the Barclays Capital Global High-Yield Index for the Credit-Related Fixed Income asset class
  - Adopt the Hedge Fund Research Indices (HFRI) Fund of Funds Composite Index as the new benchmark for the Less Correlated & Constrained (LCC) Investment Type effective January 1, 2009
- b. Increase the maximum range of the Credit-Related Fixed Income asset class as follows:
  - Increase the range from 17.5% to 22.5% for the period ending August 31, 2009, and from 20.0% to 22.5% for the periods ending August 31, 2010 and August 31, 2011, for the Permanent University Fund (PUF) and General Endowment Fund (GEF)
  - Increase the range from 7.5% to 12.5% for the periods ending August 31, 2009, 2010, and 2011 for the Intermediate Term Fund (ITF)

The amendments to the Exhibits of the PUF and GEF Investment Policy Statements are reflected in Exhibit 1 on Page 70 and will be consistently applied to the PUF and GEF Investment Policy Statements and the corresponding Exhibits in the Permanent Health Fund (PHF) and Long Term Fund (LTF) Investment Policy Statements. The amendments to the ITF Investment Policy Statement Exhibits are reflected in Exhibit 2 on Page 71.

## BACKGROUND INFORMATION

The U. T. System Board of Regents adopted the current benchmarks for the PUF, GEF, PHF, LTF, and ITF on August 14, 2008, to be effective September 1, 2008. The Lehman Brothers' indices have changed names consistent with the renaming of the Lehman Brothers' indices in November 2008, resulting from the acquisition of Lehman Brothers by Barclays Capital, Inc., in September 2008. The composition of the indices did not change.

The current LCC benchmark, MSCI Investable Hedge Fund Index, is being discontinued by MSCI as of January 21, 2009. Due to the elimination of the MSCI Investable Hedge Fund Index, a replacement benchmark is required and UTIMCO staff has conducted a study with LCC consultant Albourne Partners to recommend a new benchmark to become effective January 1, 2009. Cambridge Associates LLC also delivered an opinion in support of the HFRI Fund of Funds Composite Index. On February 5, 2009, the UTIMCO Board is anticipated to approve the use of the HFRI Fund of Funds Composite Index for the LCC to be effective as of January 1, 2009.

UTIMCO anticipates requesting the U. T. System Board of Regents to approve an increase in the asset allocation maximum range for the Credit-Related Fixed Income asset class for the PUF, GEF, and ITF. The exposure as of December 31, 2008, for the PUF and GEF, is within the Fiscal Year 2009 minimum and maximum ranges of 10.0% and 17.5%, with PUF and GEF at 11.47% and 11.44%, respectively. The December 31, 2008, exposure for the ITF is 4.13%, which is within the Fiscal Year 2009 minimum and maximum ranges of 0% and 7.5%. Because UTIMCO staff believes that there will continue to be attractive risk-adjusted opportunities in the Credit-Related Fixed Income asset class, the UTIMCO Board at its February 5, 2009 meeting will consider a UTIMCO staff proposal to increase the maximum ranges for the Credit-Related Fixed Income Asset Class for the PUF, GEF, and ITF. Based on the results of the meeting and the action taken by the UTIMCO Board, UTIMCO staff will bring forth a proposal at the U. T. System Board of Regents' February 2009 meeting.

**EXHIBIT 1**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
**EFFECTIVE DATE ~~SEPTEMBER 4, 2008~~ JANUARY 1, 2009**

POLICY PORTFOLIO	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>									
Investment Grade Fixed Income	5.0%	7.5%	15.0%	5.0%	7.5%	15.0%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	10.0%	13.5%	<del>22.5-47.5%</del>	10.0%	14.5%	<del>22.5-29.9%</del>	10.0%	14.5%	<del>22.5-29.9%</del>
Real Estate	5.0%	7.5%	15.0%	5.0%	8.0%	15.0%	5.0%	8.5%	15.0%
Natural Resources	5.0%	8.5%	15.0%	5.0%	9.5%	15.0%	5.0%	10.0%	15.0%
Developed Country Equity	40.0%	46.5%	52.5%	37.5%	43.0%	50.0%	37.5%	41.0%	47.5%
Emerging Markets Equity	12.5%	16.5%	22.5%	12.5%	17.5%	22.5%	12.5%	18.5%	22.5%
<u>Investment Types</u>									
More Correlated & Constrained Investments	37.5%	44.5%	50.0%	35.0%	41.5%	47.5%	35.0%	41.0%	47.5%
Less Correlated & Constrained Investments	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	18.0%	22.5%	28.0%	21.0%	25.5%	31.0%	21.0%	26.0%	33.0%

\*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Lehman Brothers- Barclays Capital Global Aggregate Index</u>	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
<u>Lehman Brothers- Barclays Capital Global High-Yield Index</u>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%
FTSE EPRA/NAREIT Global Index	5.5%	5.5%	5.5%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index	5.5%	5.5%	5.5%	4.5%	4.5%	4.5%	4.0%	4.0%	4.0%
MSCI World Index with net dividends	17.0%	17.0%	17.0%	15.5%	15.5%	15.5%	14.5%	14.5%	14.5%
MSCI Emerging Markets with net dividends	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.5%	10.5%	10.5%
<u>MSCI Investable Hedge Fund Index Hedge Fund Research Indices Fund of Funds Composite Index</u>	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Venture Economics Custom Index	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%	22.0%	22.0%	22.0%
NACRIEF Custom Index	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%
<u>POLICY/TARGET RETURN/RISKS</u>									
Expected Annual Return (Benchmarks)	8.78%	8.78%	8.78%	8.86%	8.86%	8.86%	8.85%	8.85%	8.85%
Expected Target Annual Return (Active)	9.72%	9.72%	9.72%	9.90%	9.90%	9.90%	9.87%	9.87%	9.87%
One Year Downside Deviation	8.72%	8.72%	8.72%	8.71%	8.71%	8.71%	8.67%	8.67%	8.67%
Risk Bounds									
Lower: 1 Year Downside Deviation	85%	85%	85%	85%	85%	85%	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%	115%	115%	115%	115%	115%	115%

**EXHIBIT 2 - INTERMEDIATE TERM FUND  
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES  
EFFECTIVE DATE ~~SEPTEMBER 1, 2008~~ JANUARY 1, 2009**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	20.0%	37.0%	20.0%	37.0%	20.0%	37.0%
Credit-Related Fixed Income	0.0%	5.5%	0.0%	5.5%	0.0%	5.5%
Real Estate	5.0%	10.0%	5.0%	10.0%	5.0%	10.0%
Natural Resources	0.0%	7.0%	0.0%	7.0%	0.0%	7.0%
Developed Country Equity	20.0%	30.5%	20.0%	30.5%	20.0%	30.5%
Emerging Markets Equity	0.0%	10.0%	0.0%	10.0%	0.0%	10.0%
<u>Investment Types</u>						
More Correlated & Constrained	70.0%	75.0%	70.0%	75.0%	70.0%	75.0%
Less Correlated & Constrained	20.0%	25.0%	20.0%	25.0%	20.0%	25.0%

\*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<del>Lehman Brothers</del> <u>Barclays Capital</u> Global Aggregate Index		33.0%		33.0%		33.0%
<del>Lehman Brothers</del> <u>Barclays Capital</u> Global High-Yield Index		2.0%		2.0%		2.0%
FTSE EPRA/NAREIT Global Index		10.0%		10.0%		10.0%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index		5.0%		5.0%		5.0%
MSCI World Index with net dividends		20.0%		20.0%		20.0%
MSCI Emerging Markets with net dividends		5.0%		5.0%		5.0%
<u>MSCI Investable Hedge Fund Index</u> <u>Hedge Fund Research Indices Fund of Funds Composite Index</u>		25.0%		25.0%		25.0%

POLICY/TARGET RETURN/RISKS	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Expected Annual Return (Benchmarks)		7.16%		7.16%		7.16%
Expected Target Annual Return (Active)		7.83%		7.83%		7.83%
One Year Downside Deviation		6.38%		6.38%		6.38%
Risk Bounds						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

7. **U. T. System Board of Regents: Adoption of a Resolution authorizing the execution of a credit agreement with the Texas Comptroller of Public Accounts, in an aggregate principal amount not to exceed \$500,000,000, to provide liquidity support to the U. T. System related to its variable rate debt programs and authorization to complete all related transactions**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt a Resolution as set out on Pages 73 – 74e (the Resolution) authorizing appropriate officers of the U. T. System to enter into a credit agreement with the Texas Comptroller of Public Accounts, in an aggregate principal amount not to exceed \$500,000,000, to provide liquidity support related to the U. T. System's Revenue Financing System (RFS) and Permanent University Fund (PUF) variable rate debt programs and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified in the Resolution.

#### BACKGROUND INFORMATION

To maintain the highest short-term credit ratings, the U. T. System must provide either internal or external liquidity support of its variable rate debt programs. Currently, the U. T. System supports all of its variable rate debt programs with internal liquidity. On a limited basis, the Texas Comptroller of Public Accounts is offering liquidity support to state issuers at a reasonable cost. Adoption of this Resolution will authorize the negotiation of a credit agreement with the Texas Comptroller to provide an additional source of liquidity to the U. T. System to support its variable rate debt programs. Currently, U. T. System staff is negotiating \$150 million of initial liquidity support at an annual cost of 8 to 12 basis points. A similar agreement between the U. T. System and the State Treasurer was previously approved by the U. T. System Board of Regents on April 14, 1994.

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF  
LIQUIDITY AGREEMENTS RELATING TO CERTAIN VARIABLE RATE  
INDEBTEDNESS OF THE SYSTEM**

**WHEREAS**, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas (the "State");

**WHEREAS**, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution");

**WHEREAS**, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution or as set forth in Exhibit A hereto;

**WHEREAS**, pursuant to the Revenue Financing System, the Board has previously authorized the issuance of certain variable rate notes through a commercial paper note program and has currently outstanding certain variable rate revenue bonds payable from Pledged Revenues all as set forth in Exhibit B attached hereto (collectively, the "RFS Obligations");

**WHEREAS**, pursuant to the Constitutional Provision, the Board has previously authorized the issuance of certain variable rate notes through a commercial paper note program and a flexible rate note program and has currently outstanding certain variable rate revenue bonds payable from the Interest of the System all as set forth in Exhibit C attached hereto (collectively, the "PUF Obligations," and together with the RFS Obligations, the "Obligations");

**WHEREAS**, the Board desires to provide for liquidity support for the Obligations as set forth in this Resolution;

**WHEREAS**, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") has provided the System with the form of an initial draft liquidity agreement with respect to the Obligations attached hereto as Exhibit D (the "Draft Agreement"); and

**WHEREAS**, in furtherance of its desire to provide for liquidity support for the Obligations, the Board hereby authorizes each Authorized Representative to enter into one or more liquidity agreements with the Comptroller or any related entity of equal credit quality (the "Liquidity Provider") in accordance with the terms set forth in this Resolution.

**NOW THEREFORE BE IT RESOLVED**, that

**SECTION 1. DEFINITIONS.** In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings

given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

**SECTION 2. AUTHORIZATION OF LIQUIDITY AGREEMENTS.** (a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in entering into and executing one or more agreements with the Liquidity Provider, or any subsequent amendments thereto, to provide for liquidity support for all or a portion of the Obligations (each, a "Liquidity Agreement") within the parameters established by this Resolution. The delegation to each Authorized Representative to execute and deliver Liquidity Agreements on behalf of the Board under this Resolution shall not be limited by any term or provision in the Draft Agreement and shall expire on February 11, 2010.

(b) Maximum Principal Amount. The aggregate principal amount of all commitments under Liquidity Agreements authorized by this Resolution shall not at any time exceed \$500,000,000.

(c) Maximum Term. The maximum term of each Liquidity Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Obligations in the case of variable rate revenue bonds or the expiration date of the note program in the case of commercial paper notes or flexible rate notes.

(d) Maximum Rate. No Liquidity Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

**SECTION 3. SOURCE OF PAYMENT AND SECURITY FOR LIQUIDITY AGREEMENTS.**

(a) General. The costs of any Liquidity Agreement authorized by this Resolution and the amounts payable thereunder shall be payable from the same source and on the lien priority as the Obligations to which such Liquidity Agreement applies.

(b) RFS Obligations. To the extent a Liquidity Agreement applies to RFS Obligations, the Board's payment obligations under such agreement shall be payable out of Pledged Revenues and each Liquidity Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Liquidity Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of a each Liquidity Agreement applicable to RFS Obligations it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf such Liquidity Agreement is entered into possess the financial capacity to satisfy their Direct Obligations after taking such Liquidity Agreement into account.

(c) PUF Obligations. To the extent a Liquidity Agreement applies to PUF Obligations, the Board's payment obligations under such agreement shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments.

**SECTION 4. ADDITIONAL AUTHORIZATION.** (a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution or are otherwise necessary in connection with entering into Liquidity Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

(b) Further Actions. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Attorney General Submission. Each Authorized Representative is hereby authorized to submit this Resolution to the Attorney General of the State for review and approval in accordance with the requirements of Chapter 1371 of the *Texas Government Code*, as amended, as the proceedings authorizing the Liquidity Agreements entered into by the Board pursuant to this Resolution and to provide for the payment of costs in connection therewith.

## EXHIBIT A

### DEFINITIONS

"Authorized Representative" shall mean one or more of the following officers or employees of The University of Texas System, to wit: the Chancellor, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Finance and Business Development, and the Assistant Vice Chancellor for Finance or such other officer or employee of The University of Texas System authorized by the Board to act as an Authorized Representative under this Resolution.

"Available University Fund" shall mean the Available University Fund as defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State.

"Constitutional Provision" shall mean Section 18 of Article VII of the Constitution of the State, as may hereafter be amended.

"Interest of the System" shall mean the System's two-thirds interest in the Available University Fund.

"Permanent University Fund" shall mean the constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended.

"Residual AUF" shall mean the remainder of the Interest of the System in the Available University Fund appropriated for the support and maintenance of The University of Texas at Austin and the System Administration after the appropriation of an annual sum sufficient to pay the principal and interest due on bonds and notes issued by the Board pursuant to the Constitutional Provision.

**EXHIBIT B**  
**RFS OBLIGATIONS**

<b>Note Program or Bonds</b>	<b>Authorized Amount</b>	<b>Date of Authorizing Resolution</b>	<b>Maximum Maturity Date</b>
RFS Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B	\$1,250,000,000	August 14, 2008	April 1, 2035
RFS Refunding Bonds, Series 2001A	\$85,000,000	February 11, 1999	August 15, 2013
RFS Refunding Bonds, Series 2007B	\$345,460,000	August 23, 2007	August 1, 2034
RFS Bonds, Series 2008B	\$685,485,000	February 7, 2008	August 1, 2039

**EXHIBIT C**  
**PUF OBLIGATIONS**

<b>Note Program or Bonds</b>	<b>Authorized Amount</b>	<b>Date of Authorizing Resolution</b>	<b>Maximum Maturity Date</b>
PUF Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B	\$500,000,000	August 14, 2008	August 1, 2035
PUF Flexible Rate Notes, Series A	\$400,000,000	November 13, 2002	May 15, 2030
PUF Bonds, Series 2008A	\$400,905,000	August 14, 2008	July 1, 2038

**EXHIBIT D**

**DRAFT LIQUIDITY AGREEMENT**

[On file with the Board]

8. **U. T. System: Approval of additional aggregate amount of \$10,250,000 of Revenue Financing System Equipment Financing for Fiscal Year 2009 and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. approve an additional aggregate amount of \$10,250,000 of Revenue Financing System Equipment Financing for Fiscal Year 2009 as allocated to those U. T. System institutions set out on Page 77; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - the institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$10,250,000 for the purchase of equipment; and
  - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. Equipment financing is

used for the purchase of equipment in lieu of more costly vendor financing. The Guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

On August 14, 2008, the U. T. System Board of Regents approved \$122,756,000 for equipment financing in Fiscal Year 2009. This agenda item requests approval of an additional aggregate amount of \$10,250,000 for equipment financing for Fiscal Year 2009.

Further details on the equipment to be financed and debt coverage ratios for individual institutions may be found on Page 77.

REQUEST FOR APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING  
FY 2009 (FEBRUARY 2009)

Institution	\$ Amount of		Description of	DSC*
	Request	Expected Equipment Purchases		
U. T. Dallas	\$2,000,000	Enterprise Resource Planning ("ERP") implementation		2.5x
U.T. El Paso	250,000	Technology infrastructure		2.6x
U. T. Health Science Center - Houston	5,000,000	Telecommunication system, clinical equipment		1.7x
U. T. Health Science Center - San Antonio	3,000,000	Clinical equipment, core research equipment, infrastructure equipment		1.5x
<b>Total</b>	<b>\$10,250,000</b>			

\* Debt Service Coverage ("DSC") based on six-year forecasted Statement of Revenues, Expenses, and Changes in Net Assets ("SRECNA") for FY2009 – FY2014.

U. T. System Office of Finance, January 21, 2009



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/11/2009

John W. Barnhill, Jr., Chairman  
Paul Foster  
Printice L. Gary  
Colleen McHugh

Board Meeting: 2/12/2009  
Austin, Texas

	Committee Meeting	Board Meeting	Page
<b>Convene</b>		9:00 a.m. <i>Chairman Barnhill</i>	
1. <b>U. T. Arlington: Authorization to enter into contracts, easements, and agreements with Oncor Electric Delivery Company LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Arlington in Tarrant and Dallas Counties, Texas</b>	9:00 a.m. <b>Action</b> <i>President Spaniolo Ms. Mayne</i>	<b>Action</b>	<b>78</b>
2. <b>U. T. Pan American: Authorization to purchase approximately one acre of unimproved land located on Jackson Road north of University Drive, out of Lot 5, Section 273, Texas-Mexican Railway Company Survey, Edinburg, Hidalgo County, Texas, from Mr. Jaime A. Rodriguez for a purchase price not to exceed fair market value as determined by an independent appraisal for storm water drainage and detention and for future programmed development of campus expansion</b>	9:03 a.m. <b>Action</b> <i>Dr. Prior Ms. Mayne</i>	<b>Action</b>	<b>79</b>
3. <b>U. T. Pan American: Approval of honorific naming of the University Honors Program as the Rafael A. "Felo" and Carmen Guerra Honors Program</b>	9:06 a.m. <b>Action</b> <i>Dr. Prior Dr. Safady</i>	<b>Action</b>	<b>82</b>
4. <b>U. T. Austin: Authorization for possible use of the Mike A. Myers Stadium and Soccer Field to hold the Austin Cup soccer tournament and to negotiate and execute an agreement</b>	9:10 a.m. <b>Action</b> <i>President Powers Dr. Prior</i>	<b>Action</b>	<b>83</b>
5. <b>U. T. System: Status report on Community College Initiatives</b>	9:14 a.m. <b>Report</b> <i>Dr. Martha Ellis</i>	Not on Agenda	<b>83</b>
6. <b>U. T. System: Discussions on academic leadership matters - the scholarship of service</b>	9:24 a.m. <b>Discussion</b> <i>Dr. Prior</i>	Not on Agenda	<b>83</b>
<b>Adjourn</b>		10:30 a.m.	

1. **U. T. Arlington: Authorization to enter into contracts, easements, and agreements with Oncor Electric Delivery Company LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Arlington in Tarrant and Dallas Counties, 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 Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

- a. enter into contracts, easements, and agreements with Oncor Electric Delivery Company LLC, a Delaware limited liability company ("Oncor"), which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Arlington in Tarrant and Dallas Counties, Texas; and
- b. authorize the institution's Vice President for Business Affairs to execute the contract and related agreements and the Executive Director of Real Estate to execute all documents, easements, and other agreements regarding real property, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

On October 2, 2008, U. T. Arlington issued a Request for Proposals (RFP) for electrical utility distribution and transmission services covering the Tarrant and Dallas Counties, Texas. Oncor was the only respondent. Section 51.923 of the *Texas Education Code* permits a contract with Oncor by its selection through a request for proposals process.

U. T. Arlington desires to enter into a master contract for a term of five years for the provision of electrical distribution and transmission services for its current and future facilities located in Tarrant and Dallas Counties, Texas. The contract will permit the institution and Oncor to enter into addenda under the master contract with respect to specific projects. Easements will be granted as needed so that the utility services can be provided. Services and fees are based on Oncor's tariffs and regulations from the Texas Public Utility Commission.

Authorization to enter into the master contract enabling project-specific addenda and easements is being sought so that U. T. Arlington may minimize delays related to the provision of electrical distribution and transmission services to construction and renovation projects at existing and future properties.

2. **U. T. Pan American: Authorization to purchase approximately one acre of unimproved land located on Jackson Road north of University Drive, out of Lot 5, Section 273, Texas-Mexican Railway Company Survey, Edinburg, Hidalgo County, Texas, from Mr. Jaime A. Rodriguez for a purchase price not to exceed fair market value as determined by an independent appraisal for storm water drainage and detention and for future programmed development of campus expansion**

### RECOMMENDATION

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

- a. purchase approximately one acre of unimproved land located on Jackson Road north of University Drive, out of Lot 5, Section 273, Texas-Mexican Railway Company Survey, Edinburg, Hidalgo County, Texas, from Mr. Jaime A. Rodriguez for a purchase price not to exceed fair market value as determined by an independent appraisal, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for storm water drainage and detention and for future programmed development of campus expansion; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

The subject property consists of approximately one acre of unimproved land with 180 feet of frontage on the east side of Jackson Road. This road is the western access for U. T. Pan American's planned Academic and Performing Arts Complex (APAC).

A large drainage canal belonging to the City of Edinburg, on a strip of land on which the city holds an easement, connects the subject property to the APAC site and to the rest of U. T. Pan American's west campus. During the feasibility period, the U. T. System Real Estate Office will investigate and determine whether it can obtain appropriate legal authorization to use the drainage canal to drain storm water from the U. T. Pan American campus to the subject property. The property's downstream location from the APAC site and the west campus makes the property ideal for storm water drainage and detention in support of the development of these tracts. Moreover, use of the subject property for storm water purposes will alleviate the need to provide storm water detention for these new facilities on core campus property.

The property will initially be used to facilitate storm water drainage and detention, and may subsequently be used for future programmed development of campus expansion. Unexpended Plant Funds will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below.

#### Transaction Summary

Institution:	U. T. Pan American
Type of Transaction:	Purchase
Total Area:	Approximately one acre
Improvements:	None
Location:	Jackson Road north of University Drive, out of Lot 5, Section 273, Texas-Mexican Railway Company Survey, Edinburg, Hidalgo County, Texas (see map on following page)
Seller:	Mr. Jaime A. Rodriguez
Purchase Price:	Not to exceed fair market value as established by an independent appraisal
Appraised Value:	\$127,000 (Joe Patterson, MAI, Aguirre & Patterson, Inc., November 5, 2008, and clarified December 22, 2008)
Source of Funds:	Unexpended Plant Funds
Intended Use:	Storm water drainage and detention; future programmed development of campus expansion



3. **U. T. Pan American: Approval of honorific naming of the University Honors Program as the Rafael A. "Felo" and Carmen Guerra Honors Program**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and former President Cárdenas that the U. T. System Board of Regents approve the honorific naming of the University Honors Program at U. T. Pan American as the Rafael A. "Felo" and Carmen Guerra Honors Program.

BACKGROUND INFORMATION

The late Felo Guerra [Mr. Rafael A. "Felo" Guerra (1915-2005)] and Mrs. Carmen Guerra (1920-2008) were part of one of Texas' pioneer ranching families, which has cattle brands and ranch holdings that date back to the early 1870s. The Guerras are remembered not only for their family's success in ranching and business, but also for their abiding generosity and strong commitment to higher education. The family has demonstrated an abiding commitment to the education of the least advantaged through three centuries.

The Guerra family has gifted more than \$2 million to U. T. Pan American. During the October 2006 U. T. Pan American Foundation Board meeting, a \$1 million pledge to U. T. Pan American by the Guerra family was announced. Mr. A. R. "Felo" Guerra, son of Mr. and Mrs. Rafael A. "Felo" Guerra, told his fellow Board members that he and his family were honored to help the University. Remarking upon the great need in South Texas, he said that the many blessings afforded his family compelled them to follow the example set by their grandfather and father.

The children of Mr. and Mrs. Felo Guerra have embraced their parents' philanthropic legacy. They also inherited their parents' passion for improving accessibility to higher education in South Texas. Managing a scholarship program over the past several years, they have awarded more than \$300,000 in scholarships to students residing in the communities surrounding the Guerra ranch properties. Approximately 60% of those scholarship recipients elected to attend U. T. Pan American.

U. T. Pan American looks forward to renaming the University Honors Program not only to commemorate two outstanding members of the Guerra family, but also to inspire others throughout surrounding communities to support the University.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, Section 5, relating to the honorific naming of programs.

4. **U. T. Austin: Authorization for possible use of the Mike A. Myers Stadium and Soccer Field to hold the Austin Cup soccer tournament and to negotiate and execute an agreement**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Powers that the U. T. System Board of Regents authorize a possible exception to the Regents' Rules and Regulations, Rule 80104 regarding Use of Facilities, to allow an external entity to use the Mike A. Myers Stadium and Soccer Field to hold the Austin Cup soccer tournament and to authorize President Powers to negotiate and execute an agreement for this purpose subject to approval by the Office of General Counsel.

**BACKGROUND INFORMATION**

The U. T. Austin Departments of Intercollegiate Athletics propose to work with the Austin Aztex-FC soccer organization to hold an Austin Cup soccer tournament in July 2009. As currently planned, the tournament would bring four international professional soccer teams, including a Mexican professional soccer team, to Austin. The event would be held in the Mike A. Myers Stadium and Soccer Field. However, the Austin Aztex-FC soccer organization is not a registered organization that is authorized under Rule 80104 to reserve and use a facility owned by a U. T. System institution. Thus, permission is needed from the Board of Regents to authorize a one-time use of Myers Stadium as proposed for this event.

There are National Collegiate Athletic Association (NCAA) bylaws on amateurism that prescribe certain types of income that member institutions may receive from professional sports organizations and the uses of that income. The proposed arrangements are permissible under applicable NCAA rules.

5. **U. T. System: Status report on Community College Initiatives**

**REPORT**

Dr. Martha Ellis, Associate Vice Chancellor for Community College Partnerships, will present a status report on the Community College Initiatives. The report will include information on: (1) efforts to identify and address the barriers for students transferring from community colleges to universities by the Community College Working Group comprised of presidents from U. T. System, Texas A&M System, and Texas Association of Community Colleges institutions; (2) regional activities with U. T. System institutions and community colleges; and (3) elements of the public awareness campaign.

6. **U. T. System: Discussions on academic leadership matters - the scholarship of service**

**PURPOSE**

Executive Vice Chancellor Prior will lead a presidential discussion and engagement with the Regents on the topic relating to the scholarship of service.



## TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 2/11/2009

Board Meeting: 2/12/2009  
Austin, Texas

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

**Wednesday, February 11, 2009**

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE MEETING OF HEALTH AFFAIRS COMMITTEE</b>	<i>10:30 a.m.</i> <i>Chairman</i> <i>McHugh</i>		
1. <b>U. T. Health Science Center – Houston: Authorization to enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Health Science Center – Houston in the Houston, Texas, Metropolitan Area</b>	<i>10:30 a.m.</i> <b>Action</b> <i>President</i> <i>Kaiser</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>84</b>
2. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase the land and improvements located at 2918 Hepburn Street, Houston, Harris County, Texas, from Mr. Timothy Black and Ms. Charlotte Black for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions</b>	<i>10:35 a.m.</i> <b>Action</b> <i>President</i> <i>Mendelsohn</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>85</b>
3. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase all of the undivided interests in the land located at Lot 4, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Shirley Ann Wagner, Mr. Raymond Keith Bryzmialkiewicz, Mr. Roy Bryzmialkiewicz, Mr. Harvey Gorski, Ms. Lucille Gottselig, Ms. Maxine Delores Kasprazk, Mr. James Koterak, Ms. Brenda B. Meuth, Estate of Mr. Eugene Richard Nowak, Mr. Kenneth Ray Nowak, Ms. Venita B. Riddle, Ms. June B. Schmidt, Ms. Iva B. Womak, Ms. Paulette Zawacki, Mr. Alex Bryzmialkiewicz, Mr. Edwin Bryzmialkiewicz, Ms. Carol Ann Copeland, Ms. Rose Marie Drummon, Ms. Frankie Koterak, Mr. Gilbert Koterak, Ms. Gloria Lastovica, Ms. Sandy Crawford, and Ms. Gertrude Tippitt, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land, for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions</b>	<i>10:45 a.m.</i> <b>Action</b> <i>President</i> <i>Mendelsohn</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>88</b>

Wednesday, February 11, 2009 (continued)

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
4. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase all of the undivided interests in the land described as Lot 3, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Denise Felchak Brown, Ms. Joan Smith, and Ms. Gladys L. Wood, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions</b>	10:50 a.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>92</b>
5. <b>U. T. Southwestern Medical Center - Dallas: Authorization to execute a Master Services Agreement with Dallas County Indigent Care Corporation (DCICC), a nonprofit corporation</b>	11:00 a.m. <b>Action</b> <i>Mr. Burgdorf President Podolsky</i>	<b>Action</b>	<b>95</b>
6. <b>U. T. System: Quarterly report on health matters, including the current status of competitive awards programs in nursing and graduate studies, the potential impact of proposed federal programs on U. T. System health institutions, annual campus visits, and related matters</b>	11:15 a.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>96</b>
<b>B. ADJOURN MEETING OF HEALTH AFFAIRS COMMITTEE</b>	11:30 a.m.		

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Thursday, February 12, 2009

	<b>Committee Meeting</b>
<b>C. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE</b>  <b><u>New Federal Health Policies</u></b>  The presidents of The University of Texas System health institutions will discuss the potential impact of proposed federal health policies on healthcare delivery at the U. T. System health institutions.	9:00 a.m. <i>Chairman McHugh Dr. Shine Mr. Mike Hudson, President, The Health Policy Group, L.L.C., Washington, D.C.</i>
<b>D. ADJOURN SPECIAL MEETING</b>	10:00 a.m.

1. **U. T. Health Science Center – Houston: Authorization to enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Health Science Center – Houston in the Houston, Texas, Metropolitan Area**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Kaiser that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Health Science Center – Houston, to

- a. enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company ("CenterPoint Energy"), which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. Health Science Center – Houston in the Houston, Texas, Metropolitan Area; and
- b. authorize the institution's Vice President for Business Affairs to execute the contract and related agreements and the Executive Director of Real Estate to execute all documents, easements, and other agreements regarding real property, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

On December 12, 2008, U. T. Health Science Center – Houston issued a Request for Proposals (RFP) for electrical utility distribution and transmission services covering the Houston, Texas, Metropolitan Area. CenterPoint Energy was the only respondent. Section 51.923 of the *Texas Education Code* permits a contract with CenterPoint Energy by its selection through an RFP process.

U. T. Health Science Center – Houston desires to enter into a master contract for a term of five years for the provision of electrical distribution and transmission services for its current and future facilities located in the Houston, Texas, Metropolitan Area. The contract will permit the institution and CenterPoint Energy to enter into addenda under the master contract with respect to specific projects. Easements will be granted as

needed so that the utility services can be provided. Services and fees are based on CenterPoint Energy's tariffs and regulations from the Texas Public Utility Commission.

Authorization to enter into the master contract enabling project-specific addenda and easements is being sought so that U. T. Health Science Center – Houston may minimize delays related to the provision of electrical distribution and transmission services to construction and renovation projects at existing and future properties.

2. **U. T. M. D. Anderson Cancer Center: Authorization to purchase the land and improvements located at 2918 Hepburn Street, Houston, Harris County, Texas, from Mr. Timothy Black and Ms. Charlotte Black for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions**

### 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. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase the land and improvements located at 2918 Hepburn Street, Houston, Harris County, Texas, from Mr. Timothy Black and Ms. Charlotte Black for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

Acquisition of the subject property is part of the land assemblage in the east campus area being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important, but noncritical functions that will allow greater use of core facilities in the Texas Medical Center for patient treatment and research.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses. The subject property is an outparcel of the surrounding 28.8008-acre tract acquired by U. T. M. D. Anderson Cancer Center pursuant to authority granted by the Board on February 8, 2007.

Details of this acquisition, which will be funded with Local Hospital Revenues, are summarized in the transaction summary below.

#### Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 27,761 square feet, including adjoining alley
Improvements:	1,209 square foot single family residence and out buildings
Location:	2918 Hepburn Street, Houston, Harris County, Texas (see map on following page)
Seller:	Mr. Timothy Black and Ms. Charlotte Black
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	\$972,000 (\$35 per square foot) (Edward B. Schulz & Co., April 15, 2008, updated December 10, 2008); \$625,000 (\$22.50 per square foot) (Lewis Realty Advisors, August 20, 2008)
Source of Funds:	Local Hospital Revenues
Intended Use:	Campus administrative and support functions

# UTMDACC EAST CAMPUS

-  Currently Owned
-  To Be Acquired



2918 HEPBURN STREET  
(Lots 3-6, portions of  
Lots 2 & 7, Block 26 & the  
northerly one-half of the  
alley which abuts the  
southerly boundary  
of Lots 3-6, & portion  
of Lot 2)



Lot 4, Block 38

Lot 3, Block 38

3. **U. T. M. D. Anderson Cancer Center: Authorization to purchase all of the undivided interests in the land located at Lot 4, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Shirley Ann Wagner, Mr. Raymond Keith Bryzmiakiewicz, Mr. Roy Bryzmiakiewicz, Mr. Harvey Gorski, Ms. Lucille Gottselig, Ms. Maxine Delores Kasprzak, Mr. James Koteras, Ms. Brenda B. Meuth, Estate of Mr. Eugene Richard Nowak, Mr. Kenneth Ray Nowak, Ms. Venita B. Riddle, Ms. June B. Schmidt, Ms. Iva B. Womak, Ms. Paulette Zawacki, Mr. Alex Bryzmiakiewicz, Mr. Edwin Bryzmiakiewicz, Ms. Carol Ann Copeland, Ms. Rose Marie Drummon, Ms. Frankie Koteras, Mr. Gilbert Koteras, Ms. Gloria Lastovica, Ms. Sandy Crawford, and Ms. Gertrude Tippitt, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land, for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions**

#### 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. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase all of the undivided interests in the land located at Lot 4, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Shirley Ann Wagner, Mr. Raymond Keith Bryzmiakiewicz, Mr. Roy Bryzmiakiewicz, Mr. Harvey Gorski, Ms. Lucille Gottselig, Ms. Maxine Delores Kasprzak, Mr. James Koteras, Ms. Brenda B. Meuth, Estate of Mr. Eugene Richard Nowak, Mr. Kenneth Ray Nowak, Ms. Venita B. Riddle, Ms. June B. Schmidt, Ms. Iva B. Womak, Ms. Paulette Zawacki, Mr. Alex Bryzmiakiewicz, Mr. Edwin Bryzmiakiewicz, Ms. Carol Ann Copeland, Ms. Rose Marie Drummon, Ms. Frankie Koteras, Mr. Gilbert Koteras, Ms. Gloria Lastovica, Ms. Sandy Crawford, and Ms. Gertrude Tippitt, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land (the "Undivided Interest Owners"), for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and

- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

Acquisition of the subject property is part of the land assemblage in the east campus area being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important, but noncritical functions that will allow greater use of core facilities in the Texas Medical Center for patient treatment and research.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

The Undivided Interest Owners collectively own an undivided 68.1633% interest in the subject property, with the remaining 31.8367% interest having been acquired by U. T. M. D. Anderson Cancer Center pursuant to authority granted by the Board on February 8, 2007, to acquire that undivided interest and other property, including a 28.8008-acre tract that includes and surrounds the subject lot.

Details of this acquisition, which will be funded with Local Hospital Revenues, are summarized in the transaction summary below.

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 5,000 square feet plus adjoining streets and alleys
Improvements:	None
Location:	Lot 4, Block 38, Institute Place Subdivision, Houston, Harris County, Texas (see map on Page 91)

Seller: Ms. Shirley Ann Wagner, Mr. Raymond Keith Bryzmialkiewicz, Mr. Roy Bryzmialkiewicz, Mr. Harvey Gorski, Ms. Lucille Gottselig, Ms. Maxine Delores Kasprzak, Mr. James Koterak, Ms. Brenda B. Meuth, Estate of Mr. Eugene Richard Nowak, Mr. Kenneth Ray Nowak, Ms. Venita B. Riddle, Ms. June B. Schmidt, Ms. Iva B. Womak, Ms. Paulette Zawacki, Mr. Alex Bryzmialkiewicz, Mr. Edwin Bryzmialkiewicz, Ms. Carol Ann Copeland, Ms. Rose Marie Drummon, Ms. Frankie Koterak, Mr. Gilbert Koterak, Ms. Gloria Lastovica, Ms. Sandy Crawford, and Ms. Gertrude Tippitt, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land

Purchase Price: Not to exceed fair market value as established by independent appraisals

Appraised Value: \$83,500 (for a 68.1633% undivided interest) (Edward B. Schulz & Co., April 15, 2008, as updated by letter dated December 10, 2008);  
\$21,471 (for a 68.1633% undivided interest) (Lewis Realty Advisors, December 10, 2008)

Source of Funds: Local Hospital Revenues

Intended Use: Campus administrative and support functions

# UTMDACC EAST CAMPUS

-  Currently Owned
-  To Be Acquired



2918 HEPBURN STREET  
(Lots 3-6, portions of  
Lots 2 & 7, Block 26 & the  
northerly one-half of the  
alley which abuts the  
southerly boundary  
of Lots 3-6, & portion  
of Lot 2)



Lot 4, Block 38

Lot 3, Block 38

4. **U. T. M. D. Anderson Cancer Center: Authorization to purchase all of the undivided interests in the land described as Lot 3, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Denise Felchak Brown, Ms. Joan Smith, and Ms. Gladys L. Wood, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions**

#### 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. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase all of the undivided interests in the land described as Lot 3, Block 38, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Denise Felchak Brown, Ms. Joan Smith, and Ms. Gladys L. Wood, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land (the "Undivided Interest Owners"), for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

#### BACKGROUND INFORMATION

Acquisition of the subject property is part of the land assemblage in the east campus area being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important, but noncritical functions that will allow greater use of core facilities in the Texas Medical Center for patient treatment and research.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently

in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

The Undivided Interest Owners collectively own an undivided 3.2216% interest in the subject property, with the remaining 96.7784% interest having been acquired by U. T. M. D. Anderson Cancer Center pursuant to authority granted by the Board on February 8, 2007, to acquire that undivided interest and other property, including a 28.8008-acre tract that surrounds the subject property.

Details of this acquisition, which will be funded with Local Hospital Revenues, are summarized in the transaction summary below.

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 5,000 square feet, plus adjoining streets and alley
Improvements:	None
Location:	Lot 3, Block 38, Institute Place Subdivision, Houston, Harris County, Texas (see map on following page)
Seller:	Ms. Denise Felchak Brown, Ms. Joan Smith, and Ms. Gladys L. Wood, and any successors and assigns or other persons who may be determined to hold an undivided interest in such land
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	\$3,946 (for a 3.2216% undivided interest) (Edward B. Schulz & Co., April 15, 2008, as updated by letter dated December 10, 2008); \$1,015 (for a 3.2216% undivided interest) (Lewis Realty Advisors, December 10, 2008)
Source of Funds:	Local Hospital Revenues
Intended Use:	Campus administrative and support functions

# UTMDACC EAST CAMPUS

-  Currently Owned
-  To Be Acquired



2918 HEPBURN STREET  
(Lots 3-6, portions of  
Lots 2 & 7, Block 26 & the  
northerly one-half of the  
alley which abuts the  
southerly boundary  
of Lots 3-6, & portion  
of Lot 2)



Lot 4, Block 38

Lot 3, Block 38

5. **U. T. Southwestern Medical Center – Dallas: Authorization to execute a Master Services Agreement with Dallas County Indigent Care Corporation (DCICC), a nonprofit corporation**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor and Counsel for Health Affairs, and President Podolsky that the U. T. System Board of Regents approve the execution of a Master Services Agreement between Dallas County Indigent Care Corporation (DCICC) and U. T. Southwestern Medical Center – Dallas by President Podolsky, consistent with the terms described below.

**BACKGROUND INFORMATION**

In 2007, community hospitals in Texas proposed that additional federal and state funding was needed to support the Medicaid program's costs of providing indigent healthcare. To facilitate expansion of support for indigent healthcare, the hospitals also proposed to assume added financial responsibility. The major community hospitals in Dallas, Baylor Health Care System and Baylor Heart and Vascular Center (Baylor); Columbia Hospital at Medical City Dallas Subsidiary; Green Oaks Hospital Subsidiary; Columbia Medical Center of Las Colinas, and North Texas Division (Medical City); Methodist Health System; and Texas Health Resources entered into agreements with U. T. Southwestern Medical Center – Dallas and Parkland Health & Hospital System (Parkland) to assume the financial responsibility for U. T. Southwestern's physician services at Parkland that had been provided via a Master Services Agreement. The agreements with the community hospitals ended on September 30, 2007, without receiving final approval by state and federal agencies; therefore, the agreements were not renewed. U. T. Southwestern returned to providing physician services at Parkland under the preexisting Master Services Agreement approved by the U. T. System Board of Regents on February 8, 2007.

Following a year of work to ensure regulatory compliance with the Texas Health and Human Services Commission (THHSC) and discussions by THHSC with federal agencies monitoring the Texas Medicaid Program, the community hospitals, through a separate nonprofit corporation, the DCICC, again have assumed financial responsibility through new agreements beginning October 1, 2008. Under the new arrangement, each hospital guarantees its respective portion of the financial obligation, with DCICC paying U. T. Southwestern on a monthly basis for its work at Parkland. The new arrangement is financially favorable to U. T. Southwestern because contract payments have been increased over the previous Parkland agreement to cover increased costs and to reflect the full fair market value for services that Parkland, as a governmental agency, was unable to pay. Under the new arrangement, U. T. Southwestern anticipates receiving \$132.4 million compared with the anticipated receipt of \$120 million under the

agreement directly with Parkland. Should the relationship at any time fail to operate in the best interests of U. T. Southwestern or if the arrangement is terminated for any reason, U. T. Southwestern can terminate these agreements with DCICC and return to its original and traditional contractual relationship with Parkland as expressed in a memorandum of agreement executed simultaneously with this arrangement.

U. T. Southwestern considers this a successful partnership with the community hospitals and Parkland to help meet the healthcare needs and improve access to healthcare for the indigent residents of Dallas County, Texas.

6. **U. T. System: Quarterly report on health matters, including the current status of competitive awards programs in nursing and graduate studies, the potential impact of proposed federal programs on U. T. System health institutions, annual campus visits, and related matters**

#### REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including the current status of competitive awards programs in nursing and graduate studies, the potential impact of proposed federal programs on U. T. System health institutions, annual campus visits, and related matters. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.



## TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/11/2009

Board Meeting: 2/12/2009  
Austin, Texas

James R. Huffines, Chairman  
James D. Dannenbaum  
Printice L. Gary  
Janiece Longoria

	Committee Meeting	Board Meeting	Page
<b>Convene</b>	2:30 p.m. Chairman Huffines		
<b><u>Report</u></b>			
1. <b>U. T. System: Report on the U. T. System Policy on Sustainability Practices</b>	2:30 p.m. <b>Report</b> Mr. O'Donnell	Not on Agenda	<b>97</b>
<b><u>Additions to the Capital Improvement Program</u></b>			
2. <b>U. T. Arlington: Special Events Center - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)</b>	2:34 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>98</b>
3. <b>U. T. Austin: Children's Garden at the Lady Bird Johnson Wildflower Center - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)</b>	2:38 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>99</b>
4. <b>U. T. Austin: FY09 High Priority Fire and Life Safety; William Randolph Hearst Building Renovation; LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations; and Art Building and Museum Renovation - Amendment of the FY 2009-2014 Capital Improvement Program to include two projects; approval to reduce the allocation and transfer approved Permanent University Fund Bond Proceeds; approval to increase the total project cost for two projects; revise funding sources; appropriation and authorization of funds; and authorization of institutional management (Final Board approval)</b>	2:42 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>100</b>
5. <b>U. T. Austin: Jester East Maintenance and Interior Finishes - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)</b>	2:46 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>104</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
6. <b>U. T. Dallas: Bookstore - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)</b>	<i>2:50 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>105</b>
7. <b>U. T. San Antonio: Multifunction Office Building I - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)</b>	<i>2:54 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>106</b>
8. <b>U. T. San Antonio: Sculpture/Ceramics Building 2 - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)</b>	<i>2:58 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>107</b>
9. <b>U. T. Medical Branch – Galveston: John Sealy Hospital Modernization- Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)</b>	<i>3:02 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>108</b>
10. <b>U. T. Health Science Center – Houston: Research Park Complex Parking Lot Phase I - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)</b>	<i>3:06 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>109</b>
11. <b>U. T. M. D. Anderson Cancer Center: Alkek Surgical and Imaging Expansion - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Preliminary Board approval)</b>	<i>3:10 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>111</b>
<b><u>Design Development Approvals</u></b>			
12. <b>U. T. Dallas: Student Services Building - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)</b>	<i>3:14 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>112</b>
13. <b>U. T. Pan American: Starr County Upper Level Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)</b>	<i>3:18 p.m.</i> <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>115</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b><u>Modifications to the Capital Improvement Program</u></b>			
14. <b>U. T. Austin: Data Center at the Central Receiving Building - Amendment of the FY 2009-2014 Capital Improvement Program to increase total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)</b>	3:22 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>117</b>
15. <b>U. T. Austin: Lee and Joe Jamail Texas Swimming Center Renovation/Renewal - Amendment of the FY 2009-2014 Capital Improvement Program to increase the total project cost, approval to revise the funding sources, appropriation of funds; and resolution regarding parity debt (Final Board approval)</b>	3:26 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>119</b>
<b>Adjourn</b>	3:30 p.m.		

## 1. **U. T. System: Report on the U. T. System Policy on Sustainability Practices**

### REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on the U. T. System Policy on Sustainability Practices.

A U. T. System policy has been developed for sustainability. Because of the diversity of the 15 institutions, each institutional president is delegated authority to further define and implement measures for sustainable practices at the respective institutions, all within budgetary constraints and legal, regulatory, and programmatic requirements. The policy affirms that U. T. System Administration and the U. T. System institutions are already doing a great deal to conserve energy use and reduce negative environmental impact.

The Sustainability Policy promotes continued efforts to implement well thought-out initiatives that increase efficiencies, reduce emissions, promote sustainability, and contribute meaningfully to the environment, while still achieving excellence in higher education. Those initiatives are:

- Institutional Policy
- Energy and Water Efficiency Practices
- Alternative Energy Practices
- Climate Protection Practices
- Sustainable Transportation Practices
- Waste and Recycling Management
- Environmentally Preferable Purchasing Practices
- High Performance Buildings
- Sustainability Awareness and Training
- Curricula Integration
- Endowment Transparency
- Student Involvement
- Community Outreach
- Annual Plan and Reports

**Supplemental Materials: The U. T. System Policy on Sustainability Practices on Pages 316 - 318 of Volume 2.**

**2. U. T. Arlington: Special Events Center - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board Approval)**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Special Events Center project at The University of Texas at Arlington as follows:

<b>Project No.:</b>	301-397										
<b>Project Delivery Method:</b>	Construction Manager at Risk										
<b>Substantial Completion Date:</b>	April 2012										
<b>Total Project Cost:</b>	<table><thead><tr><th><u>Source</u></th><th><u>Proposed</u></th></tr></thead><tbody><tr><td>Revenue Financing System Bond Proceeds</td><td>\$28,000,000</td></tr><tr><td>Gifts</td><td>\$10,000,000</td></tr><tr><td>Unexpended Plant Funds</td><td><u>\$35,000,000</u></td></tr><tr><td></td><td>\$73,000,000</td></tr></tbody></table>	<u>Source</u>	<u>Proposed</u>	Revenue Financing System Bond Proceeds	\$28,000,000	Gifts	\$10,000,000	Unexpended Plant Funds	<u>\$35,000,000</u>		\$73,000,000
<u>Source</u>	<u>Proposed</u>										
Revenue Financing System Bond Proceeds	\$28,000,000										
Gifts	\$10,000,000										
Unexpended Plant Funds	<u>\$35,000,000</u>										
	\$73,000,000										

- Investment Metrics:** By 2012:
- Host approximately 41 UTA athletic events and 25 other UTA related activities
  - Accommodate approximately 60 non-university events addressing the campus community and general public's interest
  - Accommodate commencement exercises, convocation ceremonies, student orientations, and Maverick Preview Days
  - Provide a facility capable of seating 6,500 people

**BACKGROUND INFORMATION**

The proposed Special Events Center (SEC) will be a multipurpose, state-of-the-art center with approximately 189,300 gross square feet and will be the home for U. T. Arlington athletics, graduation ceremonies and convocation celebrations, concerts, and distinguished lecture series as well as many community events. The SEC will also include large meeting rooms and suites for hosting special functions, events, and meetings. The SEC will include an athletic floor for both the men's and women's basketball teams and the women's volleyball team. There will be practice courts, offices, locker rooms, training facilities, a film and media center, lounge areas, and academic spaces for student athletes. The facility will be located between Pecan and Center Streets and south of West 1st Street.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

**3. U. T. Austin: Children's Garden at the Lady Bird Johnson Wildflower Center - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Children's Garden at the Lady Bird Johnson Wildflower Center project at The University of Texas at Austin as follows:

**Project No.:** 102-482  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** November 2012  
**Total Project Cost:**

<u>Source</u>	<u>Proposed</u>
Gifts	\$4,700,000

  
**Investment Metrics:** By 2012:

- Be the first educational and interactive Children's Garden in Central Texas
- Increase admissions revenue by 10%
- Educate community children
- Be the pilot project for the Sustainable Sites Initiative

- a. approve a total project cost of \$4,700,000 with funding from Gifts;
- b. appropriate funds; and
- c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

**BACKGROUND INFORMATION**

The project will develop an area of land northwest of the present Wildflower Center Administration buildings, creating a unique Children's Garden. This Garden will provide educational opportunities with outdoor classroom areas, a pavilion, and restrooms. Some of the garden features will be interactive.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that U. T. Austin Facility Management personnel have the experience and capability to manage all aspects of the work.

4. **U. T. Austin: FY09 High Priority Fire and Life Safety; William Randolph Hearst Building Renovation; LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations; and Art Building and Museum Renovation - Amendment of the FY 2009-2014 Capital Improvement Program to include two projects; approval to reduce the allocation and transfer approved Permanent University Fund Bond Proceeds; approval to increase the total project cost for two projects; revise funding sources; appropriation and authorization of funds; and authorization of institutional management (Final Board approval)**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the FY09 High Priority Fire and Life Safety project; William Randolph Hearst Building Renovation project; the LBJ Library Plaza, Lady Bird Johnson Center, and LBJ School Renovations project; and the Art Building and Museum Renovation project at The University of Texas at Austin as follows:

#### **FY 09 High Priority FLS**

**Project No.:** 102-453  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** February 2010  
**Total Project Cost:**

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Permanent University Fund Bond Proceeds	\$4,800,000	\$3,105,000

#### **Hearst Building Renovation**

**Project No.:** 102-479  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** September 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$ 375,000
	Gifts	\$ 600,000
	Designated Funds	<u>\$1,325,000</u>
		\$2,300,000

**LBJ Library Plaza, Lady Bird Johnson Center, and LBJ School Renovations**

**Project No.:** 102-208  
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** December 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$15,500,000	\$15,500,000
	Unexpended Plant Funds	\$20,250,000	\$20,250,000
	Revenue Financing System Bond Proceeds	\$15,000,000	\$15,000,000
	Permanent University Fund Bond Proceeds	<u>\$ 450,000</u>	<u>\$ 1,420,000</u>
		\$51,200,000	\$52,170,000

**Art Building and Museum Renovation**

**Project No.:** 102-273  
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** December 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$7,000,000	\$1,000,000
	Permanent University Fund Bond Proceeds		\$ 350,000
	Available University Funds		<u>\$6,000,000</u>
			\$7,350,000

- a. amend the FY 2009-2014 Capital Improvement Program (CIP) to include the FY09 High Priority Fire and Life Safety project with a total project cost of \$3,105,000 with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. reallocate \$1,695,000 of PUF funding from the \$4,800,000 of PUF allocation for the FY09 High Priority Fire and Life Safety project to three projects: William Randolph Hearst Building Renovation (\$375,000); LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations (\$970,000); and the Art Building and Museum Renovation (\$350,000);
- c. include the William Randolph Hearst Building Renovation project in the FY 2009-2014 CIP with a total project cost of \$2,300,000 with funding of \$1,325,000 from Designated Funds, \$600,000 from Gifts, and \$375,000 from PUF transferred from the FY09 High Priority Fire and Life Safety Project;

- d. increase the total project cost of the LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovation project from \$51,200,000 to \$52,170,000 with the additional \$970,000 of PUF funding transferred from the FY09 High Priority Fire and Life Safety Project;
- e. increase the total project cost of the Art Building and Museum Renovation project from \$7,000,000 to \$7,350,000 with the additional \$350,000 of PUF funding transferred from the FY09 High Priority Fire and Life Safety Project;
- f. revise funding sources for the Art Building Museum Renovation project from \$7,000,000 from Revenue Financing System Bond Proceeds to \$1,000,000 from Revenue Financing System Bond Proceeds, \$350,000 from PUF, and \$6,000,000 from Available University Funds (AUF);
- g. appropriate additional funding of \$970,000 from PUF for the LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations project; and \$350,000 from PUF and \$6,000,000 from AUF for the Art Building and Museum Renovation; and
- h. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts for the FY 09 High Priority Fire and Life Safety Project and the Hearst Building Renovation project.

### BACKGROUND INFORMATION

#### Previous Board Actions

**FY09 High Priority Fire and Life Safety Project** - On August 14, 2008, the Board approved the allocation of \$4,800,000 from PUF Bond Proceeds for the project.

**LBJ Library Plaza, Lady Bird Johnson Center, and LBJ School Renovations** - On May 13, 2004, the project was included in the CIP with a preliminary project cost of \$30,000,000 with \$15,000,000 from Grants and \$15,000,000 from Unexpended Plant Funds and was designated as architecturally significant. On August 11, 2005, the funding for this repair and rehabilitation project was appropriated with funding of \$15,000,000 from Grants and \$15,000,000 from Unexpended Plant Funds. On March 20, 2006, the Chancellor approved increasing the total project cost from \$30,000,000 to \$32,250,000 with funding of \$15,000,000 from Grants and \$17,250,000 from Unexpended Plant Funds. On May 10, 2007, the Board approved increasing the total project cost from \$32,250,000 to \$47,250,000 with funding of \$15,000,000 from Grants, \$17,250,000 from Unexpended Plant Funds, and \$15,000,000 from Revenue Financing System Bond Proceeds. On October 15, 2007, the Chancellor approved increasing the total project cost from \$47,250,000 to \$47,750,000 with funding of \$15,500,000 from Grants, \$17,250,000 from Unexpended Plant Funds, and \$15,000,000 from Revenue Financing System Bond Proceeds. On February 11, 2008,

the Chancellor approved increasing the total project cost from \$47,750,000 to \$50,750,000 with funding of \$15,500,000 from Grants, \$20,250,000 from Unexpended Plant Funds, and \$15,000,000 from Revenue Financing System Bond Proceeds. On November 26, 2008, the Chancellor authorized the transfer of funding and expenditure of \$450,000 in additional funds from the LERR09 - Sid Richardson Hall Fire Safety project to increase the total project cost from \$50,750,000 to \$51,200,000.

**Art Building and Museum Renovation** - On June 20, 2006, the project was included in the CIP with a total project cost of \$3,500,000 with funding from Gifts. On August 14, 2008, the Board approved increasing the total project cost from \$3,500,000 to \$7,000,000 and the funding was revised to Revenue Financing System Bond Proceeds. On October 3, 2008, the Chancellor approved the design development plans.

### Project Description

The FY09 High Priority Fire and Life Safety Project addresses various deficiencies identified as high priority items including design and installation of fire sprinkler and fire alarm systems, stairwell pressurization, and correction of egress deficiencies. The institutionally managed projects involved include Burdine Hall, Communication Building C, Harry Ransom Humanities Research Center, Main Building, Perry Castañeda Library, and the University Teaching Center.

U. T. Austin is requesting the transfer of \$1,695,000 of PUF funding allocated to the FY09 High Priority Fire and Life Safety Project to address fire and life safety deficiencies in three projects: the William Randolph Hearst Building Renovation; the LBJ Library Plaza, the Lady Bird Johnson Center, and LBJ School Renovations project; and the Art Building and Museum Renovation project.

The William Randolph Hearst Building Renovation project will address fire and life safety upgrades, renovate the heating, venting, and air conditioning system, update electrical and lighting systems, plumbing systems, elevators, and finishes. U. T. Austin will pursue the Leadership in Energy and Environmental Design (LEED) certification for the renovation project. The project provides the opportunity to improve the environment and working conditions for the Texas Student Media.

The reallocation is needed to consolidate the fire and life safety work in the Sid Richardson Hall phase of the LBJ work and the Art Building and Museum Renovation.

The proposed FY09 High Priority Fire and Life Safety project and the William Randolph Hearst Building Renovation repair and rehabilitation projects have been approved by U. T. System staff and meet the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that these projects would best be managed by the U. T. Austin Facility Management personnel who have the experience and capability to manage all aspects of the work.

**5. U. T. Austin: Jester East Maintenance and Interior Finishes - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Jester East Maintenance and Interior Finishes project at The University of Texas at Austin as follows:

**Project No.:** 102-483  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** August 2009  
**Total Project Cost:**

<u>Source</u>	<u>Proposed</u>
Auxiliary Enterprise Balances	\$21,000,000

- a. approve a total project cost of \$21,000,000 with funding from Auxiliary Enterprise Balances;
- b. appropriate funds; and
- c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

**BACKGROUND INFORMATION**

The project is phased over the next four years. The project prototype was successfully completed on the fifth floor during Summer 2008. The project scope is to systematically renovate the remaining nine floors of the Jester East Tower. The improvements update the finishes in the corridors, student rooms, supplemental rooms, and restrooms. Upgrades will also include improvements to the plumbing, electrical, and mechanical systems. An exterior curtain wall will be added at select corridor locations to add more natural light into the space similar to the Jester East fifth floor prototype.

The student rooms and floors in the Jester Center need new finishes and furniture to stay current with student needs and preferences in a competitive market. The floors are relatively unchanged since the building was opened 37 years ago.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that U. T. Austin Facility Management personnel have the experience and capability to manage all aspects of the work.

**6. U. T. Dallas: Bookstore - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Bookstore project at The University of Texas at Dallas as follows:

<b>Project No.:</b>	301-485	
<b>Project Delivery Method:</b>	Competitive Sealed Proposals	
<b>Substantial Completion Date:</b>	October 2010	
<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$6,250,000
	Unexpended Plant Funds	<u>\$3,000,000</u>
		\$9,250,000

- Investment Metrics:**
- By 2010:
- Support the University’s Strategic Plan imperative of adding 5,000 full-time equivalent students
  - Strengthen the relationship to the surrounding community by creating another venue which will attract community members to the University campus

BACKGROUND INFORMATION

The proposed new bookstore will be a two-story building of approximately 25,000 gross square feet housing a vendor-run retail facility and possibly a campus visitor center. The location for the bookstore will be at a focal point to attract both campus and community customers. The current bookstore has become too small to serve the current student enrollment.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

7. **U. T. San Antonio: Multifunction Office Building I - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Multifunction Office Building I project at The University of Texas at San Antonio as follows:

**Institutionally Managed:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** August 2010

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Designated Funds	\$4,750,000

**Investment Metric:**

- Increase by 10% the available classroom space for education purposes
- Increase student satisfaction by offering classes in less crowded classrooms
- Improve available space for administrative functions by 5%

- a. approve a total project cost of \$4,750,000 with funding from Designated Funds;
- b. appropriate funds; and
- c. authorize U. T. San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The proposed project to be located on the 1604 Campus between the Humanities and Social Sciences Building and the North Parking Garage will construct an approximately 30,000 gross square foot building including utilities and related infrastructure to house various administrative and academic functions. When completed, the facility will provide offices for the Reserve Officers' Training Corps (ROTC) program and Distance Learning and Academic Technology administration, and two general use classrooms and support space. Moving administrative functions to the new building will free up classroom space in core academic buildings to support the increased student population.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that U. T. San Antonio Management personnel have the experience and capability to manage all aspects of the work.

**8. U. T. San Antonio: Sculpture/Ceramics Building 2 - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Preliminary Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Sculpture/Ceramics Building 2 project at The University of Texas at San Antonio as follows:

**Institutionally Managed:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** July 2010

<b>Total Project Cost:</b>	<u>Source</u> Designated Funds	<u>Proposed</u> \$2,275,000
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- Investment Metrics:**
- Increase the number of graduate students by 10%
  - Increase faculty productivity/production of fine arts
  - Increase the number of undergraduate students in the program by 10%
  - Increase student satisfaction by providing additional space for teaching purposes
  - Increase the visibility of the fine arts program within the community, state, and nation

- a. approve a total project cost of \$2,275,000 with funding from Designated Funds;
- b. appropriate funds; and
- c. authorize U. T. San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

## BACKGROUND INFORMATION

The project is to construct a second building of approximately 12,000 gross square feet to include sculpture and ceramics class facilities and graduate art studio space including utilities and related infrastructure. Additional studio space will support the growing number of graduate students in fine arts-related studies. The building will house faculty and teaching assistants, materials storage, a glaze mixing room, a seminar room, a 3D digital studio, a plaster room, a wax room, and a shell room. The additional studio space is required for continued accreditation of the Fine Arts programs.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that U. T. San Antonio Management personnel have the experience and capability to manage all aspects of the work.

**9. U. T. Medical Branch - Galveston: John Sealy Hospital Modernization - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the John Sealy Hospital Modernization project at The University of Texas Medical Branch at Galveston as follows:

<b>Project No.:</b>	601-486	
<b>Project Delivery Method:</b>	Competitive Sealed Proposals	
<b>Substantial Completion Date:</b>	March 2012	
<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Gifts	\$22,000,000

**Investment Metrics:** By 2012:

- Improve patient satisfaction via modern patient-oriented facilities
- Increase nursing efficiency and morale via appropriate support areas

- a. approve a total project cost of \$22,000,000 with funding from Gifts; and
- b. appropriate funds.

## BACKGROUND INFORMATION

### Project Description

The Sealy & Smith Foundation has approved a grant for the revitalization and modernization of the John Sealy Hospital project to provide for renovation of approximately 75,000 gross square feet of the upper floors of the John Sealy Tower not affected by Hurricane Ike. The project will result in much improved patient rooms in the building. In addition to the patient care areas, critical infrastructure including air handling systems, emergency power systems, and information technology systems will be a key element in the renovated John Sealy Hospital. A task force of physicians, nurses, and administrators defined a model patient room and nursing unit that is acuity adaptable, adequately sized, and appropriately configured. This model optimizes nursing and staff efficiency to meet the needs for patient-centered care and family-oriented design in the hospital. The project is intended to address approximately one-half of the current John Sealy Hospital.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

10. **U. T. Health Science Center – Houston: Research Park Complex Parking Lot Phase I - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; authorization of institutional management; and resolution regarding parity debt (Final Board approval)**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Kaiser that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Research Park Complex Parking Lot Phase I project at The University of Texas Health Science Center at Houston as follows:

<b>Project No.:</b>	701-481				
<b>Institutionally Managed:</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
<b>Project Delivery Method:</b>	Competitive Sealed Proposals				
<b>Substantial Completion Date:</b>	December 2009				
<b>Total Project Cost:</b>	<table><tr><td><u>Source</u></td><td><u>Proposed</u></td></tr><tr><td>Revenue Financing System Bond Proceeds</td><td>\$2,160,000</td></tr></table>	<u>Source</u>	<u>Proposed</u>	Revenue Financing System Bond Proceeds	\$2,160,000
<u>Source</u>	<u>Proposed</u>				
Revenue Financing System Bond Proceeds	\$2,160,000				

- a. approve a total project cost of \$2,160,000 with funding from Revenue Financing System Bond Proceeds;

- b. appropriate funds;
- c. authorize U. T. Health Science Center – Houston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Health Science Center – Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$2,160,000.

## BACKGROUND INFORMATION

### Debt Service

The \$2,160,000 in Revenue Financing System debt will be repaid from parking revenues. Annual debt service on the \$2,160,000 Revenue Financing System debt is expected to be \$247,000. The institution's debt service coverage is expected to be at least 1.3 times and average 1.7 times over FY 2009-2014.

### Project Description

The proposed project will include 300 parking spaces to support the opening of the Biomedical Research and Education Facility (BREF) along with the Neuroscience Building. Appropriate lighting, landscaping, and security measures will be provided. Original plans for parking for the Research Park Complex included a parking garage that was later withdrawn. After further evaluation, it was decided it was more economically prudent to provide surface parking for the Research Park Complex until the density of development can support the investment in a parking garage.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Health Science Center – Houston Facility Management personnel who have the experience and capability to manage all aspects of the work.

**11. U. T. M. D. Anderson Cancer Center: Alkek Surgical and Imaging Expansion - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Preliminary Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents amend the FY 2009-2014 Capital Improvement Program (CIP) to include the Alkek Surgical and Imaging Expansion at The University of Texas M. D. Anderson Cancer Center as follows:

**Project Delivery Method:** Design/Build

**Institutional Managed:** Yes  No

**Substantial Completion Date:** February 2012

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Hospital Revenues	\$98,000,000

- Investment Metrics:**
- Increase number of admission-recovery-discharge beds from 22 to 40 by December 2012
  - Increase number of post anesthesia care unit beds from 32 to 46 by December 2012
  - Increase number of inpatient surgeries currently limited by lack of inpatient beds by 2015

- a. approve a total project cost of \$98,000,000 with funding from Hospital Revenues; and
- b. appropriate funds.

BACKGROUND INFORMATION

Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of

construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

The Surgical and Imaging Expansion is an extension of the existing Albert B. and Margaret M. Alkek Tower that will provide immediate adjacency to existing surgical and imaging services on Levels 5 and 3, respectively. In addition, the expansion will provide covered drop-off and circulation for patients and visitors entering the Alkek or Lutheran Hospitals. Finally, the inclusion of a basement level will facilitate the expansion of sterile processing and preoperative clean supply to facilitate the growth of the operating rooms. To align with the existing Alkek Hospital floors, the new structure will include interstitial floors at Level 4 and Level 6 to house necessary mechanical equipment. The expansion will be designed to accommodate the structural requirements of a future bed tower to better position the institution to replace the Lutheran Pavilion when it reaches the end of its effective life.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

**12. U. T. Dallas: Student Services Building - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Student Services Building project at The University of Texas at Dallas as follows:

<b>Project No.:</b>	302-323	
<b>Project Delivery Method:</b>	Construction Manager at Risk	
<b>Substantial Completion Date:</b>	August 2010	
<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$27,500,000

**Investment Metrics:**

By 2010:

- Facilitate a higher quality of service delivery, more collaboration between related departments, and a greater emphasis on student learning and development
- Add 5,000 full-time equivalent students by 2017 for a total student population of 21,000
- Contribute to the creation of a more seamless learning environment as it frees up spaces in other campus buildings that can be used for the expansion and enhancement of other student and academic support programs

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. 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. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$27,500,000.

**BACKGROUND INFORMATION**

**Debt Service**

The \$27,500,000 in Revenue Financing System debt will be repaid from student fees. Annual debt service on the \$27,500,000 Revenue Financing System debt is expected to be \$2,000,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.5 times over FY 2009-2014. The student fee that is expected

to support the Revenue Financing System debt was approved by the U. T. Dallas student body on April 19, 2006. The fee was subsequently approved by the 80th Texas Legislature, effective June 15, 2007.

#### Previous Board Action

On November 16, 2006, the project was included in the CIP with a total project cost of \$27,500,000 with funding from Revenue Financing System Bond Proceeds.

#### Project Description

The project will construct a new four-story building of approximately 74,726 gross square feet to provide a one-stop center for students, parents, and prospective students doing business with U. T. Dallas. The building will accommodate the departments of Disability Services, Bursar's Office, Financial Aid, Office of the Registrar, Enrollment Services, Career Center, International Student Services, Living and Service Learning Program/New Student Program, Multicultural Center, Office of the Dean of Students, Health Center, Wellness Center, Women's Center, Student Affairs, Facility Support, and Counseling Center.

#### Basis of Design

The planned building life expectancy includes the following elements:

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

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

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

**13. U. T. Pan American: Starr County Upper Level Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and former President Cárdenas that the U. T. System Board of Regents approve the recommendations for the Starr County Upper Level Center project at The University of Texas – Pan American as follows:

<b>Project No.:</b>	901-284	
<b>Project Delivery Method:</b>	Competitive Sealed Proposals	
<b>Substantial Completion Date:</b>	August 2010	
<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$1,500,000
	Tuition Revenue Bond Proceeds	<u>\$6,000,000</u>
		\$7,500,000

- Investment Metrics:** By 2011:
- Provide approximately 14,110 gross square feet
  - Increase enrollment by 3%
  - Increase faculty by 1 full-time member
  - Increase graduation rate by 3%
- a. approve design development plans;
  - b. appropriate funds and authorize expenditure of funds;
  - c. approve the evaluation of alternative energy economic feasibility; and
  - d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
    - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
    - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
    - U. T. Pan American, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy

its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,500,000.

## BACKGROUND INFORMATION

### Debt Service

The 79th Legislature authorized \$6,000,000 of Tuition Revenue Bonds for a learning center. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The \$1,500,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the \$1,500,000 Revenue Financing System debt is expected to be \$73,000. The institution's debt service coverage is expected to be at least 1.3 times and average 1.4 times over FY 2009-2014.

### Previous Board Action

On August 10, 2006, the project was included in the CIP with a total project cost of \$7,500,000 with funding of \$6,000,000 from Tuition Revenue Bond Proceeds and \$1,000,000 from Revenue Financing System Bond Proceeds.

### Project Description

The project will construct a new building of approximately 14,110 gross square feet to replace the current temporary facilities located in Rio Grande City, Texas. The space will include classrooms, a learning resource center, student lounge, multipurpose rooms, and Center administration and faculty offices. The remote campus supports the ongoing mission of U. T. Pan American for education outreach programs in conjunction with the South Texas College Starr County Campus.

### Basis of Design

The planned building life expectancy includes the following elements:

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

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

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative

energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

**14. U. T. Austin: Data Center at the Central Receiving Building - Amendment of the FY 2009-2014 Capital Improvement Program to increase total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Data Center at the Central Receiving Building project at The University of Texas at Austin as follows:

**Project No.:** 102-394  
**Project Delivery Method:** Design Build  
**Substantial Completion Date:** May 2010

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$25,000,000	\$32,000,000

- a. amend the FY 2009-2014 Capital Improvement Program (CIP) to increase the total project cost from \$25,000,000 to \$32,000,000;
- b. appropriate and authorize expenditure of additional funds in the amount of \$7,000,000 from Revenue Financing System Bond Proceeds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

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

## BACKGROUND INFORMATION

### Debt Service

The \$32,000,000 in aggregate Revenue Financing System debt will be repaid from Designated Funds. Annual debt service on the \$32,000,000 Revenue Financing System debt is expected to be \$2,800,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.3 times over FY 2009-2014. Approximately \$1,350,000 of the aggregate \$32,000,000 Revenue Financing System debt proceeds is anticipated to be used for interest expense during construction.

### Previous Board Actions

On October 4, 2006, a Shared Services Initiative was approved and a need for an Austin Regional Data Center was identified. On February 8, 2007, the 1616 Guadalupe Regional Data Center Study was included in the CIP with a total project cost of \$500,000 with funding from Unexpended Plant Funds. On February 8, 2007, the Data Center at the Central Receiving Building (CRB) was included in the CIP with a total project cost of \$25,000,000 with funding from Revenue Financing System Bond Proceeds.

### Project Description

The original project was to renovate 12,000 gross square feet (GSF) of the CRB to construct the state-of-the-art data center based on the recommendation of the Regional Data Center Study. U. T. Austin has increased the scope of the project to 26,650 GSF which includes the necessary repair and upgrades to meet building codes, operational, and maintenance requirements, life safety issues, and electrical and mechanical requirements.

U. T. Austin employs a decentralized approach to server deployment and houses the majority of servers in small, department-specific data centers based upon availability of space and proximity. It has been determined in the Regional Data Center Study that this decentralized approach is not cost-effective, reliable, or secure. The study recommended creating a Primary Tier III highly-reliable data center accompanied by a secondary Tier I data center to meet U. T. Austin's immediate infrastructure needs for centralized administrative computing services.

The proposed new Tier III data center at the CRB will provide a highly-reliable data center that supports concurrent maintainability of facility infrastructure and reduces the demand for creation of department-specific data centers. The new Tier III data center at

CRB will have full redundancy for power and cooling systems that will eliminate the single points of failure in the data center facility infrastructure and will meet current demand for space, power, and cooling for information technology services.

**15. U. T. Austin: Lee and Joe Jamail Texas Swimming Center Renovation/Renewal - Amendment of the FY 2009-2014 Capital Improvement Program to increase the total project cost, approval to revise the funding sources, appropriation of funds; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Lee and Joe Jamail Texas Swimming Center Renovation/Renewal project at The University of Texas at Austin as follows:

**Project No.:** 102-409  
**Institutionally Managed:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** September 2009 for Phase I

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Interest on Local Funds	\$ 7,500,000	\$ 7,500,000
	Auxiliary Enterprise Balances	<u>\$ 7,500,000</u>	
	Revenue Financing System Bond Proceeds		\$ 7,500,000
	Designated Funds		<u>\$ 1,000,000</u>
		\$15,000,000	\$16,000,000

- a. amend the FY 2009-2014 Capital Improvement Program (CIP) to increase the total project cost from \$15,000,000 to \$16,000,000;
- b. revise the funding sources from \$7,500,000 from Interest on Local Funds and \$7,500,000 from Auxiliary Enterprise Balances to \$7,500,000 from Interest on Local Funds, \$7,500,000 from Revenue Financing System Bond Proceeds, and \$1,000,000 from Designated Funds for a total project cost of \$16,000,000;
- c. appropriate 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. System Board of Regents relating to the Financing System; and
- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,500,000.

## BACKGROUND INFORMATION

### Debt Service

The \$7,500,000 in Revenue Financing System debt will be repaid from Designated Funds. Annual debt service on the \$7,500,000 Revenue Financing System debt is expected to be \$654,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.3 times over FY 2009-2014. Approximately \$300,000 of the \$7,500,000 Revenue Financing System debt proceeds is anticipated to be used for interest expense during construction.

### Previous Board Action

On August 14, 2008, the project was included in the CIP with a total project cost of \$15,000,000 with funding of \$7,500,000 from Interest on Local Funds and \$7,500,000 from Auxiliary Enterprise Balances and institutional management was authorized.

### Project Description

The project will be a phased renovation to be completed over a five-year period. The first phase of the project will renovate the following major systems: pool mechanical system; building heating, ventilation, and air conditioning (HVAC) system; pool basin and deck; and architectural and structural building systems. The pool mechanical renovation includes replacing existing pool mechanical systems. The building HVAC system renovation includes a complete redesign of existing building mechanical systems to minimize corrosion and replace all existing obsolete, deteriorating HVAC building and electrical distribution systems. The pool basin and deck renovation includes replacing original tile and waterproofing, bulkhead guide rails, and embedded support systems. Architectural and structural building system renovations include the preparation and painting of the roof structural steel, replacing the ceiling grid system, installing an ADA ramp and elevator, and installing perimeter deck drains.

U. T. Austin is requesting to revise the funding sources and increase the total project cost to provide ongoing maintenance of the pool and take advantage of the summer maintenance work being completed by the contractor who will be in charge of the renovation and renewal work. Approval of the total project cost increase will allow the funding for the summer maintenance contract work to be added to the total project cost for the existing project.



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Committee Meeting: 2/11/2009  
Austin, Texas

*James D. Dannenbaum, Chairman*  
*John W. Barnhill, Jr.*  
*Printice L. Gary*  
*James R. Huffines*  
*Michael Swindle, Chair, Employee Advisory Council*  
*Mansour El-Kikhia, Chair, Faculty Advisory Council*  
*Aaron Rosas, Chair, Student Advisory Council*

	<b>Committee Meeting</b>	<b>Page</b>
<b>Convene</b>	11:30 a.m. <i>Chairman Dannenbaum</i>	
1. <b>U. T. Austin: Report on changes in undergraduate curriculum</b>	11:30 a.m. <b>Report</b> <i>President Powers</i>	<b>122</b>
2. <b>U. T. System Board of Regents: Report on Board of Regents' Retreat with institutional presidents held on December 18-19, 2008, and presentation of recorded remarks from Dr. Lee Todd, President of the University of Kentucky</b>	11:45 a.m. <b>Report</b> <i>Dr. Shine</i>	<b>122</b>
<b>Adjourn</b>	12:30 p.m.	

1. **U. T. Austin: Report on changes in undergraduate curriculum**

REPORT

President Powers will report on the progress made on the initiative to develop a new undergraduate core curriculum at U. T. Austin.

BACKGROUND INFORMATION

The Commission of 125 delivered its report to former U. T. Austin President Larry R. Faulkner on September 30, 2004. The Commission recommended "The University of Texas must create a disciplined culture of excellence that will enable it to realize its constitutional mandate....The legislature to establish, organize, and provide for the maintenance, support, and direction of a University of the first class."

To that end, the Commission recommended two strategic initiatives: to develop a new undergraduate core curriculum and to establish a more demanding standard for leadership of academic departments and research centers.

2. **U. T. System Board of Regents: Report on Board of Regents' Retreat with institutional presidents held on December 18-19, 2008, and presentation of recorded remarks from Dr. Lee Todd, President of the University of Kentucky**

REPORT

Dr. Shine will provide a summary of key points from the Board of Regents' Retreat held on December 18-19, 2008.

A video presentation made at the retreat by Dr. Lee Todd, President of the University of Kentucky, will be shown at the meeting.

**Supplemental Materials: Two handouts from Dr. Todd on Pages 319 – 324 of Volume 2.**