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OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Wednesday, August 7, 2002**

Time: **1:00 p.m.**

Place: **Grand Ballroom, Salon E, El Paso Marriott Hotel, 1600 Airway
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Date: **Thursday, August 8, 2002**

Time: **8:30 a.m.**

Place: **Geology Reading Room (Room 310), Geological Sciences Building, 591 West University Avenue, U. T. El Paso**

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BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: **Wednesday, August 7, 2002**

Time: **1:00 p.m.**

Place: Grand Ballroom, Salon E, El Paso Marriott Hotel,
1600 Airway Boulevard, El Paso, Texas

Purpose: Convene in Open Session and Recess to Executive
Session

See Pages 1 - 2, Items A - B

Time: **4:30 p.m.**

Place: Grand Ballroom, Salon E, El Paso Marriott Hotel,
1600 Airway Boulevard, El Paso, Texas

Purpose: Reconvene in Open Session to Consider Action on
Executive Session Items and Recess

See Page 2, Item C

Date: **Thursday, August 8, 2002**

Time: **8:30 a.m.**

Place: Geology Reading Room (Room 310), Geological
Sciences Building, U. T. El Paso, El Paso, Texas

Purpose: Reconvene in Open Session to Continue Until
Completion of Business

See Pages 3 - 125, Items D - L

Telephone Numbers

President Natalicio's Office

(915) 747-5555

El Paso Marriott Hotel, 1600 Airway Boulevard

(915) 779-3300

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Wednesday, August 7, 2002**

Time: 1:00 p.m.

Place: Grand Ballroom, El Paso Marriott Hotel, 1600 Airway Boulevard,
El Paso, Texas

A. CALL TO ORDER

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

1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

a. U. T. M. D. Anderson Cancer Center: Request for Determination of Necessity and Authorization to Acquire Leasehold Interest in Suite 1180 of the Fannin Holcombe Building Located at 6900 Fannin Street, Houston, Harris County, Texas; Authorization to Take All Necessary Actions Needed to Acquire the Above Leasehold Interest Through Purchase or Eminent Domain; and Authorization to Execute All Documents Related Thereto

b. U. T. System: Consultation with Attorney Regarding Legal Issues

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

- a. U. T. System: Consideration of Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment and Duties of Officers or Employees
- b. U. T. System: Consideration of Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2003, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein
- c. U. T. System: Consideration of Personnel Matters Relating to Evaluation of Presidents and U. T. System Executive Officers

C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS AND RECESS

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Thursday, August 8, 2002**

Time: 8:30 a.m.

Place: Geology Reading Room (Room 310), Geological Sciences Building,
U. T. El Paso

D. RECONVENE IN OPEN SESSION

E. WELCOME BY PRESIDENT NATALICIO

F. APPROVAL OF MINUTES OF REGULAR MEETING HELD MAY 8-9, 2002,
AND SPECIAL MEETINGS HELD APRIL 16-17, MAY 31, JUNE 21, AND
JULY 2, 2002

G. SPECIAL REPORTS

1. U. T. Board of Regents: Presentation on Reach Out and Read Texas

REPORT

President Willerson will introduce Susan M. Cooley, M.D., Project Director for the Reach Out and Read Texas program at The University of Texas Health Science Center at Houston, for a report on the program.

2. U. T. System: Report on Selected Legislative Issues for the 78th Texas Legislative Session

REPORT

Vice Chancellor Scott will review various legislative issues of interest to the U. T. System, including regulatory issues. These issues address the various elements of a System-wide plan to increase educational attainment and research in Texas, as well as to enhance the programs of the U. T. System component institutions.

H. SPECIAL ITEMS

1. U. T. System: Proposal to Approve Results from Study to Evaluate Feasibility and Potential Benefits of Operating The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio as a Single Research University; Approve Recommendations Related to the Proposed Change in Operation; Approve Board's Report to the Texas Legislature; and Authorize Chairman to Make Editorial Changes If Needed and to Send Report to the Legislature on Behalf of the Board of Regents

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, President Cigarroa, and President Romo that the Board of Regents approve the following results concerning the feasibility of operating U. T. San Antonio and U. T. Health Science Center - San Antonio as a single research university:

- The time for operation as a single research university is not ripe.
- A clear, compelling case for merger has not been articulated.
- The two institutions have different missions, priorities and cultures.

- Merging now could distract the two institutions from critical priorities.
- A merger would not per se produce potential benefits such as excellence; increased capacity; increased funding; or enhanced competitiveness for research grants and contracts.
- A merger is not required for collaboration, and a merger does not ensure collaboration.

It is recommended that the Board report to the Legislature that the Board recommends against the operation of The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio as a single research institution at this time and further recommends that the Legislature seek ways to promote and reward collaboration activities between the two institutions.

It is further recommended that the Board approve a written report to the Legislature in substantially the form of the draft report sent to the Board in advance of the August meeting, with the report to include the conclusions and recommendations approved by the Board.

It is also recommended that the Board authorize Chairman Charles Miller to make editorial changes to the report if needed and to send the Board's report to the Legislature on or before October 1, 2002, as required by Senate Bill 1840.

BACKGROUND INFORMATION

The 77th Legislature passed Senate Bill 1840, sponsored by Senator Van de Putte and Representative Puente, which directed The University of Texas System Board of Regents, with the assistance of the Texas Higher Education Coordinating Board, to conduct a study to evaluate the feasibility and potential benefits of operating The University of Texas at San Antonio and The University of Texas Health Center at San Antonio as a single research university.

Senate Bill 1840 requires that the Board's feasibility study specifically include:

- Consultation with students, faculty, and administrators at both institutions to obtain input regarding any concerns those persons may have regarding the proposed change in the operations of the institutions

- Identification and evaluation of the potential benefits and advantages concerning the change
- Evaluation and recommendations concerning any legal, administrative, or practical problems concerning the proposed change.

Senate Bill 1840 also requires that a report of the results of the study be provided to the Legislature on or before October 1, 2002. The report must include the Board's recommendations concerning the proposed change in the operation of the institutions and, if the Board determines it appropriate, must establish a proposed timeline for implementing the proposed change, and identify specific actions necessary to implement the proposed change.

Following discussion at the January 2002 Health Affairs Committee meeting, the Chancellor, the Executive Vice Chancellors for Academic and Health Affairs, and the Presidents of U. T. San Antonio and U. T. Health Science Center - San Antonio selected a consultant to assist the Board in its study of this issue. The University of Texas System, with the concurrence of the Presidents and the Executive Vice Chancellors for Academic and Health Affairs, contracted with Carol Aschenbrener, M.D., as the consultant. President Cigarroa and President Romo jointly developed a Project Team to assist with the consultant's report.

Over the course of four months, the consultant met with more than 80 individuals, individually or in small groups. Interviewees included legislators, civic leaders, members and staff of the Texas Higher Education Coordinating Board, members of the U. T. System Board of Regents, U. T. Austin President Larry Faulkner, and representatives from U. T. System Administration, U. T. San Antonio and U. T. Health Science Center - San Antonio. In addition, the consultant facilitated six open sessions for faculty and staff on the U. T. Health Science Center - San Antonio campus and met with three representative groups on the U. T. San Antonio campus. She met with student leaders and had an open session for students at U. T. Health Science Center - San Antonio; a meeting with the U. T. San Antonio University Assembly was also open to students.

The consultant also reviewed data resources including enrollment, program, and financial information about both institutions; exhibits on formula funding and space projection from the Texas Higher Education Coordinating Board; the October 2000 report from the ad hoc Long Range Planning Committee of the U. T. System Board of Regents; and demographic projections for the State. At the consultant's request, University personnel did comparative assessments of promotion and tenure policies and procedures; financial and administration systems; student services; and information technology and telecommunications. The consultant met monthly with the joint Project Team.

The consultant provided a draft of her findings, which was distributed to members of the Board of Regents and to the Texas Higher Education Coordinating Board Chairman Pam Willeford and Commissioner of Higher Education Don Brown in June 2002. She discussed the draft findings in a joint meeting of the Academic Affairs Committee and the Health Affairs Committee on July 2, 2002. Commissioner Brown and Coordinating Board Vice-Chair Martin Basaldua, M.D., participated in the July committee discussion. The consultant's final report was delivered on July 17, 2002.

Following the July meeting, the Offices of the Chancellor, Academic Affairs, and Health Affairs and the Office of the Board of Regents have worked to prepare a draft report for the Board of Regents to review and consider as the basis for the Board's required report to the Legislature. That draft report follows the Board's discussion and directions and incorporates most of the consultant's findings and recommendations. The draft report will be provided to members of the Board for review in advance of the Board meeting.

2. U. T. Board of Regents: Proposed Appointment of Regental Representatives to the U. T. Austin Intercollegiate Athletics Council for Men and the Intercollegiate Athletics Council for Women Effective September 1, 2002

RECOMMENDATION

Chairman Miller, with the concurrence of Chancellor Burck and President Faulkner, recommends the appointment of the following Regental representatives to the U. T. Austin Intercollegiate Athletics Council for Men and the Intercollegiate Athletics Council for Women for four-year terms beginning September 1, 2002:

- a. Mr. Jeffrey M. Heller, Dallas, Texas, to the Intercollegiate Athletics Council for Men to succeed Mr. Howard Shapiro
- b. Ms. Sylvie P. Crum, Houston, Texas, to the Intercollegiate Athletics Council for Women to succeed Mr. Michael Perrin.

BACKGROUND INFORMATION

The U. T. Austin Intercollegiate Athletics Council for Men is composed of nine voting members and one nonvoting member as follows: two students (one nonvoting), an ex-student, two Regental appointees, and five members of the University General Faculty. The Regental appointments are for four year staggered terms. Mr. Howard Shapiro was appointed to the Council on September 1, 1998 for a term expiring on August 31, 2002. Mr. Robert K. Moses, Jr., is serving a term that expires August 31, 2004.

Mr. Heller, an All-American Swimmer who is a valued benefactor of the men's athletic program, won four Southwest Conference titles on the U. T. Austin Swim Team and is an inductee into the Longhorn Hall of Honor. He received a bachelor's degree in Business Administration/Finance in 1968 from U. T. Austin.

The Intercollegiate Athletics Council for Women is composed of nine voting members and one nonvoting member as follows: two students (one nonvoting), an ex-student, two Regental appointees, and five members of the University General Faculty. The Regental appointments are for four year staggered terms. Mr. Michael W. Perrin was appointed to the Council on September 1, 1998 for a term expiring on August 31, 2002. George Willeford III, M.D., is serving a term that expires August 31, 2004.

Ms. Crum, a well-respected community leader, received a B.A. in Liberal Arts/Romance Languages in 1974 from U. T. Austin. She is an active supporter of the women's athletic program, establishing an endowed scholarship in women's volleyball.

3. U. T. System: Report of Summary of Gift Acceptance Conforming to Board Policy for March 1, 2002 Through May 31, 2002

REPORT

The Summary of Gift Acceptance for U. T. System for the period March 1, 2002 through May 31, 2002, is set forth below. The report includes 107 items conforming to Board policy including the acceptance of \$24,164,042 in gifts and other transfers of funds and Board-held matching funds totaling \$300,000. The report includes only those funds that relate to endowments, estates, and other funds managed by the U. T. System Office of Development and External Relations.

<u># ALL</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>
6	U. T. System Administration	\$ 255,000
7	U. T. Arlington	77,524
39	U. T. Austin	8,739,681 *
5	U. T. Brownsville	1,813,646
1	U. T. Dallas	250,000
3	U. T. El Paso	55,000
---	U. T. Pan American	---
---	U. T. Permian Basin	---
4	U. T. San Antonio	79,155
---	U. T. Tyler	---
9	U. T. Southwestern Medical Center - Dallas	2,074,820 *
7	U. T. Medical Branch - Galveston	1,472,303
2	U. T. Health Science Center - Houston	1,007,118
9	U. T. Health Science Center - San Antonio	707,518
14	U. T. M. D. Anderson Cancer Center	7,631,276
<u>1</u>	<u>U. T. Health Center – Tyler</u>	<u>1,000</u>
107	TOTAL	\$ 24,164,042

* Not included in total:

U. T. Austin: \$50,000 transfer of endowment funds; and

U. T. Southwestern Medical Center - Dallas: \$250,000 of Board-held matching funds.

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

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

Executive Committee: Chairman Miller
Vice-Chairman Clements, Vice-Chairman Hunt, Vice-Chairman Riter
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Finance and Planning Committee: Chairman Hunt
Regent Estrada, Regent Krier, Regent Oxford, Regent Riter
Agenda Book Page 13

Academic Affairs Committee: Chairman Krier
Regent Estrada, Regent Hunt, Regent Oxford
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Health Affairs Committee: Chairman Oxford
Regent Clements, Regent Craven, Regent Sanchez
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Facilities Planning and Construction Committee: Chairman Clements
Regent Craven, Regent Riter, Regent Sanchez
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There are no items to be considered by the Executive Committee for this meeting.

1. U. T. System: Recommendation to Approve Docket No. 110

RECOMMENDATION

It is recommended that Docket No. 110 be approved.

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

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter III, Section 11 (Insurance on Money and Securities; Fidelity Bonds)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter III, Section 11, relating to insurance on money and securities and fidelity bonds, be amended as set forth below in congressional style:

Sec. 11. Insurance on Money and Securities; Fidelity Bonds

11.1 Insurance on Money and Securities

11.11 The [As approved by the Board, the] System carries a blanket System-wide crime insurance policy insuring against loss of money or securities, including loss caused by employee dishonesty, at any of the component institutions. The terms of the policy shall be negotiated by the U. T. System Administration Director of Business and Administrative Services. The purchase or renewal

of the policy shall be approved by the Executive Vice Chancellor for Business Affairs if the premium is in excess of \$100,000 [The premium paid by each institution is separately computed and is based on the coverage applicable at each institution].

11.12

At the time any loss occurs at any institution, the U. T. System Administration Director of Business and Administrative Services [Executive Vice Chancellor for Business Affairs] shall be notified by the appropriate chief business officer. The U. T. System Administration Director of Business and Administrative Services [and] shall approve all loss claims and settlements up to \$50,000. Any settlement over \$50,000 [\$2,000] and up to \$500,000 [under \$10,000] shall be approved by the Executive Vice Chancellor for Business Affairs. Notification of the settlement will be given to the Board at the discretion of the Executive Vice Chancellor for Business Affairs. Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Executive Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess [the amount] of \$1,000,000 [\$10,000 or more] must have the approval of the Board. [Money and securities coverage may be combined with the blanket position fidelity bond.]

11.13

If a loss is so extensive that partial settlements in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all documents related to the partial settlement or adjustment. The Board will be notified by the Chancellor of all partial settlements made in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval by the Board.

11.2 Fidelity Bonds

11.21

If the System discontinues its employee dishonesty insurance coverage, [As approved by the Board,] the System may purchase, in

- accordance with all applicable State laws, [shall carry] a blanket position (fidelity) bond covering [that shall cover] employees of all component institutions. [All employees shall be covered in the amount of not less than \$5,000 each. For total coverage in excess of \$10,000, approval of the State Auditor is necessary.]
- 11.22 [The Secretary of State and the State Comptroller of Public Accounts shall be each furnished with an original of the bond.
- 41.23] The premium for the bond shall be [is] prorated to the component institutions on the basis of the number of employees covered for which a premium charge is made and the excess coverage thereon.
- 11.23 [41.24] At the time a loss occurs, the U. T. System Administration Director of Business and Administrative Services shall be notified by the appropriate chief business officer. The U. T. System Administration Director of Business and Administrative Services shall approve all loss claims and settlements up to \$50,000. Any settlement over \$50,000 and up to \$500,000 shall be approved by the Executive Vice Chancellor for Business Affairs. Notification of the settlement will be given to the Board at the discretion of the Executive Vice Chancellor for Business Affairs. Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Executive Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess of \$1,000,000 [the Executive Vice Chancellor for Business Affairs shall be notified by the chief business officer and shall approve all loss claims and settlements. Any settlement over \$2,000 and under \$10,000 shall be reported to the Board for ratification. Settlements in the amount of \$10,000 or more] must have the approval of the Board.
- 11.24 [41.25] If a loss is so extensive that partial settlements in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all

documents related to the partial settlement or adjustment. The Board will be notified by the Chancellor of all partial settlements made in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval of the Board [~~The blanket position fidelity bond coverage may be combined with money and securities coverage~~].

BACKGROUND INFORMATION

Currently, the U. T. System purchases a crime insurance policy covering losses of money and securities. Coverage for losses arising from employee dishonesty has been included in this insurance policy, making the purchase of a blanket position fidelity bond unnecessary.

Part Two, Chapter III, Section 11 of the Regents' Rules and Regulations specifies the authority to purchase insurance on money and securities and to settle claims made against that policy. The section also specifies purchase authority and claims settlement procedures if U. T. System should decide to purchase a blanket position fidelity bond in lieu of employee dishonesty insurance.

The proposed changes to Part Two, Chapter III, Section 11 of the Regents' Rules and Regulations remove language regarding the purchase of bonds that is now outdated due to recent statutory changes and make the policy and settlement approval requirements consistent with those for other types of insurance as specified in Part Two, Chapter VII, Section 3 of the Regents' Rules and Regulations. Among those requirements are provisions for large partial settlements, which may be approved by the Chancellor.

3. U. T. System: Recommended Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2003, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans, and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and presidents of the U. T. System component institutions, recommends that the non-personnel aspects of the U. T. System Operating Budgets for the fiscal year ending August 31, 2003, including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans, be approved.

It is further recommended that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. Board of Regents through the institutional dockets.

It is requested that Permanent University Fund Bond Proceeds in the amount of \$30,000,000 be appropriated from reserves to fund Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 2003. In addition, it is recommended that the U. T. System component institutions be authorized to purchase approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases are to receive prior approval by the Chancellor and the appropriate Executive Vice Chancellor and, where required, the U. T. Board of Regents. Transfers by the U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with procedures for construction projects established by the Board.

Fiscal Year 2003 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of Fiscal Year 2003 are to be available for future System-wide reallocation unless specific authorization to continue

obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the president of the component institution and the appropriate Executive Vice Chancellor.

This item requires the concurrence of the Academic Affairs and Health Affairs Committees.

BACKGROUND INFORMATION

Chancellor Burck gave a PowerPoint presentation at the July 2, 2002 Finance and Planning Committee meeting and will summarize recommendations on the Operating Budget at the August 7, 2002 meeting of the U. T. Board of Regents.

Personnel aspects of the Operating Budgets will be considered in Executive Session (See Item 3a on Page 1).

The appropriation of Permanent University Fund Bond Proceed Reserves will be presented in the Fiscal Year 2003 Library, Equipment, Repair and Rehabilitation Budget. An allocation of \$30,000,000 is being requested for Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 2003. The allocation of these reserves to the U. T. System component institutions was developed from prioritized lists of projects submitted by the component institutions and reviewed by U. T. System Administration staff.

As required by the Available University Fund (AUF) Spending Policy, a forecast of revenues and expenses of the AUF for seven years, including the above allocation, has been prepared and is set forth on Page 19. The additional appropriation of Permanent University Fund Bond Proceeds for this allocation is within the policy as shown in the forecast.

**AVAILABLE UNIVERSITY FUND OPERATING STATEMENT
ACTUAL AND FORECAST DATA**

	Actual FYE 01	Estimated FYE 02	Budget		Forecast					
			FYE 03	FYE 04	FYE 05	FYE 06	FYE 07	FYE 08		
(\$ Millions)										
Distributions from the Permanent University Fund (PUF) (1)	\$ 317.1	\$ 338.4	\$ 363.0	\$ 355.6	\$ 347.6	\$ 354.0	\$ 370.0	\$ 368.5		
Surface & Other Income	9.3	7.3	7.4	7.4	7.5	7.5	7.8	7.6		
Divisible Income	326.3	345.8	370.4	363.0	355.1	361.5	377.8	396.1		
UT Share (Two-Thirds Share)	217.6	230.5	246.9	242.0	236.7	241.0	251.7	264.1		
Available University Fund (AUF) Interest Income	12.4	8.2	8.2	10.8	12.3	13.4	14.5	15.6		
Income Available to UT	229.9	238.7	255.1	252.8	249.0	254.4	266.2	279.7		
TRANSFERS:										
PUF Debt Service (2)	(60.7)	(120.7)	(82.0)	(102.1)	(104.5)	(107.5)	(110.5)	(113.4)		
Debt Service Reimbursement (Austin Bldg Revenue Bonds)	(3.4)	(3.4)	(3.4)	(3.4)	-	-	-	-		
System Administration	(24.9)	(26.2)	(26.3)	(27.7)	(29.3)	(30.8)	(32.4)	(34.1)		
System Administration Capital Budget	(3.2)	(1.0)	(3.3)	(3.4)	(3.5)	(3.7)	(3.8)	(4.0)		
NCEA/Sandia/Information Tech./Telecomm. Services (3)	(1.1)	(2.5)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)		
UT Austin Excellence Funds	(102.5)	(107.2)	(114.8)	(113.7)	(112.0)	(114.5)	(119.8)	(125.8)		
Other Transfers and Changes	(1.1)	(5.5)	-	-	-	-	-	-		
Net Surplus/(Deficit)	33.1	(26.8)	20.8	1.3	(1.5)	(3.1)	(1.4)	1.3		
Ending AUF Balance - System	76.1	49.4	70.2	71.5	70.1	67.0	65.5	66.8		
PUF Debt Service Coverage	3.79:1	3.13:1	3.11:1	2.48:1	2.39:1	2.37:1	2.41:1	2.47:1		

(1) In light of current market conditions, the 9.35% expected annual average rate of investment return is under examination by the University of Texas Investment Management Company (UTIMCO) staff and the expected average rate may be lowered by UTIMCO's Board of Directors. Beginning in FY03, distribution amounts are based on a 4.75% distribution rate of the trailing 12-quarter market value of the PUF. This forecasted PUF distributions incorporates PUF market values through June 2002.

(2) PUF debt service based on all PUF projects currently included in the Capital Improvement Program plus additional \$30 million annual Library, Equipment, Repair and Renovation (LERR) appropriations. PUF debt service in FY02 includes \$44.5 million used to retire outstanding debt.

(3) Funding for National Center for Educational Accountability (NCEA), Sandia National Laboratories Project, Information Technology bandwidth, and the Office of Telecommunication Services.

4. U. T. Board of Regents: Proposed Adoption of Eleventh Supplemental Resolution to the Master Resolution Authorizing the Issuance of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds in One or More Installments in an Aggregate Principal Amount Not to Exceed \$215,000,000; Authorization for Officers of U. T. System to Complete All Related Transactions; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Adopt the Eleventh Supplemental Resolution to the Master Resolution substantially in the form before the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds in one or more installments in an aggregate principal amount not to exceed \$215,000,000 with a final maturity not to exceed the year 2020 for the purpose of refunding up to a maximum amount of \$190,840,000 of the outstanding Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1999A and Series 1999B, maturing in the years 2010 through 2020 and to pay the costs of issuance and any original issue discount, provided the transaction produces net present value savings of at least 5% of the refunded bonds
- b. Authorize appropriate officers and employees of the U. T. System as set forth in the Eleventh Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, including determining the method of sale and the selection of the underwriters, within the limitations and procedures specified therein; making certain covenants and agreements in connection therewith; and resolving other matters incident and related to the issuance, sale, security, and delivery of such bonds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution") adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 23, the U. T. Board of Regents resolves that:

- a. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- b. The component institutions, 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. Board of Regents of tax-exempt Parity Debt.

BACKGROUND INFORMATION

On February 14, 1991, the Board adopted a Master Resolution establishing the Revenue Financing System to create a cost-effective, System-wide financing structure for component institutions of the U. T. System. Since that time, the Board has adopted 10 supplemental resolutions following the Master Resolution format to provide debt financing for projects that have received requisite approval by the U. T. System Board of Regents and the Texas Higher Education Coordinating Board. The proposed Eleventh Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Adoption of the Eleventh Supplemental Resolution would authorize the issuance of Revenue Financing System Refunding Bonds in an aggregate principal amount not to exceed \$215,000,000 in one or more installments to advance refund a portion of the outstanding Revenue Financing System Bonds, Series 1999A and Series 1999B up to a maximum amount of \$190,840,000 maturing in the years 2010 through 2020.

An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings.

The Series 1999A and Series 1999B Bonds were issued in September 1999 in the aggregate amounts of \$101,745,000 for the Series 1999A Bonds and \$180,830,000 for the Series 1999B Bonds. The Series 1999A and Series 1999B Bonds are callable on August 15, 2009, or on any date thereafter at par. The callable bonds have coupons ranging from 5.375% to 5.75%.

With interest rates at current levels, the net present value savings are approximately 4% assuming all of the callable Series 1999A and Series 1999B Bonds are refunded. This translates into debt service savings of approximately \$600,000 per year. A further decline in interest rates is necessary to achieve the minimum 5% savings target. Adoption of this resolution will provide the flexibility to execute the transaction quickly should interest rates decline further.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution") adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 16th day of July, 2002

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

5. U. T. System: Proposed Adoption of Resolution Amending the Amended and Restated First Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Commercial Paper Notes, Series A Program; Request for Approval to Increase the Amount of Liquidity Provided Through the Short Intermediate Term Fund; and Request for Authorization for Officers of U. T. System to Complete All Transactions Related Thereto

RECOMMENDATION

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

- a. Adopt a resolution substantially in the form set out on Pages 26 - 35 amending the Amended and Restated First Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Commercial Paper Notes, Series A program to increase the maximum amount of the interim financing program to \$750 million and to provide for multiple commercial paper dealers
- b. Approve the increase in the amount of liquidity provided through the Short Intermediate Term Fund to \$750 million, subject to a daily maximum maturity amount of \$75 million plus accrued interest
- c. Authorize appropriate officers and employees of U. T. System to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents.

BACKGROUND INFORMATION

The Revenue Financing System Commercial Paper Notes, Series A program was established on April 12, 1990. The size of the program was increased on February 9, 1995 and November 13, 1997, up to the current authorization of \$350 million to meet the financing needs of the U. T. System.

The increase in program authorization from \$350 million to \$750 million is needed to facilitate the funding of construction costs of projects reflected in the FY 2002-2007 Capital Improvement Program, including \$322 million of new tuition revenue bonds authorized by the 77th Texas Legislature in House Bill 658. There is currently \$313 million of commercial paper notes outstanding and the current \$350 million limit is expected to be met by September 2002.

The resolution authorizing the program currently provides for a single commercial paper dealer. Having multiple dealers on a \$750 million program is beneficial by providing broad distribution and creating competitive pricing without adversely affecting investor liquidity. Approval of this item would delegate authority to select one or more commercial paper dealers as provided in the resolution. The resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Since November 1993, liquidity for the commercial paper program has been provided through the Short Intermediate Term Fund. With the increase to \$750 million, The University of Texas Investment Management Company (UTIMCO) has agreed to increase the liquidity commitment. In consideration for its commitment, the Short Intermediate Term Fund will continue to receive a commitment fee equal to 0.10% per annum times the amount of the commitment.

RESOLUTION
AMENDING THE AMENDED AND RESTATED
FIRST SUPPLEMENTAL RESOLUTION
TO THE MASTER RESOLUTION
ESTABLISHING THE REVENUE FINANCING SYSTEM
COMMERCIAL PAPER PROGRAM

WHEREAS, on April 12, 1990, the Board adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended on October 8, 1993 and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Amended and Restated First Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Commercial Paper Program was adopted by the Board on February 9, 1995, as amended on November 13, 1997 (the "First Supplement") to establish an interim financing program pursuant to which the Board has issued its Revenue Financing System Commercial Paper Notes, Series A to provide interim financing for capital improvements and to finance equipment purchases; and

WHEREAS, the First Supplement named the investment banking firm which was to serve as the dealer to sell and place the commercial paper notes to be issued thereunder; and

WHEREAS, the Board deems it necessary to amend the First Supplement to increase the aggregate principal amount of Notes which may be outstanding and, pursuant to Section 3.04 of the First Supplement, to provide authority for the U.T. System Representative to select, evaluate and replace investment banking firms to serve as commercial paper dealers with respect to the Notes in order to achieve the most efficient marketing of the Notes and therefor the lowest cost of borrowing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. 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 the First Supplement.

Section 2. Sections 2.01 and 4.01 of the First Supplement are hereby amended by substituting the amount "\$750,000,000" in place of "\$350,000,000" each time that \$350,000,000 currently appears in such sections. The amendment to the First Supplement shall take effect immediately pursuant to Section 5.01(a)(v) of the First Supplement since it increases the amount of Notes which may be Outstanding pursuant to Section 4.01 of the First Supplement.

Section 3. The Office of Finance has solicited and reviewed the qualifications of investment banking firms interested in serving as a commercial paper Dealer for the Notes and is hereby authorized and directed to select up to four Dealers based upon such review. The number of Dealers to be selected, which Dealers to select and the amount of Notes for which each Dealer is responsible should be based upon a determination that the selection is expected to result in the lowest overall cost of the commercial paper program after taking into account not only the fees to be paid to the Dealers but the expectations as to the performance of each Dealer in providing broad distribution of the Notes and creating competitive pricing without adversely affecting investor liquidity. The U.T. System Representative, acting for and on behalf of the Board, is authorized to enter into and carry out a Dealer Agreement with each Dealer for the fees and with and subject to such terms as determined by the U.T. System Representative. Each Dealer Agreement shall be substantially in the form and substance presented to the Board in connection with the consideration of this Resolution with such changes as are acceptable to the U.T. System Representative.

The U.T. System Representative is further authorized and directed from time to time to review the Note program and the performance of each Dealer and to periodically solicit and review the qualifications of investment banking firms, including the Dealer, interested in serving as Dealer. Based upon that review and the determinations made pursuant to the first paragraph of this Section, the Dealers may be changed and additional or different Dealers may be selected and new Dealer Agreements entered into as authorized by the preceding paragraph.

Section 4. The Chairman of the Board, the Vice Chairman of the Board, the Counsel and Secretary to the Board of Regents of The University of Texas System, the U.T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution. In addition, the Chairman of the Board, the Vice Chairman of the Board, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Assistant Vice Chancellor for Finance or the Director of Finance, with the advice of Bond Counsel, are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by Fitch Investors Service, L.P., Moody's Investors Service, Inc., or Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc. as a condition to the granting or maintenance of a rating on the Notes acceptable to a U.T. System Representative, or as may be required by the Attorney General's office in connection with the approval of this Resolution.

Section 5. The recitals set forth in the preamble to this Resolution are hereby incorporated into this Resolution and made a part hereof for all purposes.

Section 6. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

PASSED AND ADOPTED, this

ATTEST:

Counsel and Secretary to the
Board of Regents of
The University of Texas System

Chairman, Board of Regents
of The University of Texas System

(SEAL)

TAX EXEMPT COMMERCIAL PAPER DEALER AGREEMENT

Between

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

and

CP DEALER

Dated _____, 2002

Relating to

**Board of Regents of The University of Texas System Revenue Financing System
Commercial Paper Notes, Series A**

TAX EXEMPT COMMERCIAL PAPER DEALER AGREEMENT

_____ .20

Attention: _____

Re: Board of Regents of The University of Texas System
Revenue Financing System Commercial Paper Notes Series A, \$750,000,000

Ladies and Gentlemen:

This letter agreement (the "Agreement") sets forth our understanding of the basis on which _____ ("Dealer") proposes to work with the Board of Regents of The University of Texas System (the "Board"), the governing body of The University of Texas System (the "System"), in connection with the issuance and sale by the Board of its above captioned commercial paper notes (the "Notes"). The Note Resolution provides for the appointment of up to four commercial paper dealers, _____, _____ and _____, being the initial commercial paper Dealers, to perform certain duties, including the offering and sale from time-to-time of the Notes on behalf of the Board.

The Board has requested Dealer to act as commercial paper dealer in connection with the sale of the Notes in the public debt markets, and Dealer has indicated its willingness to act in such capacity on the terms and conditions contained herein. The Notes will be represented by either individual note certificates ("Certificated Notes") or a master note of the Board substantially in the forms appended as Exhibit C to the Board's Amended and Restated First Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Commercial Paper Program, adopted on February 9, 1995, as amended on November 13, 1997, and August __, 2002, relating to the Notes (the "Note Resolution"). Notes represented by a master note shall be referred to herein as "Book-Entry Notes". The Notes are to be issued pursuant to an Amended and Restated Commercial Paper Issuing and Paying Agent Agreement dated March 1, 1995, (the "Issuing and Paying Agent Agreement") between the Board and Bankers Trust Company (the "Issuing Agent"). Terms used herein and not otherwise defined shall have the meaning given in the Note Resolution.

1. The Notes are not currently supported by a line or letter of credit. The Board will notify Dealer and the holders of outstanding Notes prior to entering into a Credit Agreement to provide the Board with liquidity with regard to its obligations under the Notes. In addition, no such liquidity facility will be entered into with respect to or supporting then outstanding Notes. In the event a Credit Agreement is entered into with respect to the Notes, the Board will notify

Dealer and the holders of outstanding Notes prior to substituting a new a Credit Agreement or terminating the then existing Credit Agreement.

2. Since the date of the Board's most recent statement of financial condition, there has not occurred, and prior to any sale of Notes hereunder there will not have occurred any material adverse change in the financial condition or general affairs of the Board.

3. The Notes have been rated A-1+, and F-1+ by Standard and Poor's Ratings Group, and Moody's Investors Service, Inc. and Fitch Investors Service L.P., respectively. Prior to the initial purchase or placement by Dealer of Notes hereunder, Dealer shall have received such legal opinions and certifications as Dealer may reasonably require.

4. The Dealer shall act as non-exclusive Dealer with respect to the Notes. The Dealer acknowledges that the Board may enter into agreements with other Dealers in connection with the offering and sale of the Notes on behalf of the Board as set forth in the Note Resolution. The U.T. System Representative shall notify the Dealer, in writing with a copy to the Issuing Agent, of the principal amount of Notes allocated to the Dealer. This allocation may be changed by the U.T. System Representative from time to time with written notice to the Dealer and the Issuing Agent.

5. The Notes will be issued by the Board pursuant to the Note Resolution and the laws of the State of Texas, particularly Chapter 55, Texas Education Code and Chapter 1371, Texas Government Code. The Notes will have a maturity at the time of issuance of not more than 270 days and will not contain any provision for automatic "rollover". In addition, the Notes will be issued in an aggregate principal amount not to exceed at any one time outstanding \$750,000,000, and shall be issued in principal amounts of \$100,000 or in integral multiples of \$1,000 in excess thereof and will bear such interest rates (if interest bearing), as shall mutually be agreed to by the Board and Dealer at the time of each proposed purchase or placement as provided in the Note Resolution. In addition, the Notes allocated to the Dealer shall not be sold in principal amounts, which would result in more than \$25,000,000 in principal of Notes coming due on any one date.

6. (a) On the date of a proposed issuance of Notes, a designated representative of Dealer, acting on behalf of Dealer, shall confer with the U. T. System Representative as to the principal amounts, maturities and denominations and the applicable interest rates at which Notes are to be issued, as deemed necessary by the U.T. System Representative.

(b) All transactions in Notes between the Dealer and the Board shall be in accordance with the Note Resolution, the Issuing and Paying Agent Agreement, this Agreement, and with the customs and practices in the commercial paper market regarding settlement and delivery formally adopted in writing from time to time by the New York Clearinghouse, to the extent not inconsistent with the Note Resolution. As early as possible, **but not later than 10:30 a.m. (New York City time)** on the day on which any Notes are maturing, the Dealer shall notify the Board of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or believes will be sold on that day. As early as possible on the day on which any Notes are to be issued, the Dealer shall notify the Board of the

proposed final maturities, prices and interest rates (which interest rates shall not exceed 15% per annum) at which the Dealer will purchase or cause the purchase of the Notes, and provide the Board with any other information as required for delivery of such Notes. Except as described below, the Dealer shall not be obligated to purchase or cause the purchase of any Notes unless and until agreement has been reached in each case on the foregoing points and the Dealer has agreed to such purchase. **Not later than 12:30 p.m. (New York City time)** on the date of each transaction the Dealer shall either (a) confirm each transaction made with or arranged by it or (b) notify the Board and the Issuing Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase. Such confirmations and notifications shall be given by telephone (or by other telecommunications medium acceptable to the Issuer) and in writing to the Issuer and the Issuing Agent.

(c) When agreement is reached on the foregoing, (i) if the Notes are evidenced by Certificated Notes, the Board will instruct the Issuing Agent or another issuing agent designated by the Board in a written notice to Dealer to deliver executed and countersigned Certificated Notes to _____, _____, _____, New York, New York _____, Attention: _____ or such other address as provided to the Board by Dealer prior to 12:30 p.m., New York City time, on the date of issuance and (ii) if the Notes are to be Book-Entry Notes, the issuance of and payment for such Notes will be governed by a letter agreement between the Board and The Depository Trust Company dated March 2, 1995, and Dealer covenants to comply with such provisions.

(d) Following Dealer's receipt of duly and properly completed Certificated Notes (when certificated Notes are to be used), Dealer or its agent will transfer by the close of business on such day immediately available funds to the Issuing Agent or to such other bank as may be designated in writing by the Board to Dealer in an amount equal to the proceeds of the Certificated Notes.

7. The Board understands that, in connection with the sale of the Notes, one or more of the following relating to the Board may be prepared: (i) annual information reports, (ii) interim information reports, and (iii) other reports or offering materials (all of the foregoing being hereinafter called the "Offering Materials"), which may be distributed to account executives of Dealer, as well as to purchasers and prospective purchasers of the Notes. To provide a basis for the preparation of the Offering Materials and to assist Dealer' normal credit review procedures, the Board shall provide Dealer (a) annual financial statements within 120 days of the end of each of its fiscal years, and (b) with any reports provided to any rating agency and any information generally supplied in writing to security analysts that are materially adverse to the holders. The Board will notify each Dealer when the Comprehensive Annual Financial Report of the State of Texas for each year has become available online through the Texas Comptroller's Office.

8. (a) Dealer agrees to furnish all Offering Materials to the Board for its written approval prior to the use thereof in offering the Notes. No other written information, circulars or statements will be distributed by Dealer. If, at any time during the term of this Agreement, any event occurs or circumstances exist as a result of which any then current Offering Materials

would include such an untrue statement or omission, the Board will promptly notify Dealer and provide to Dealer revised information that corrects such untrue statement or omission. The Board agrees that the obligations of the Dealer under this Agreement are conditioned upon Dealer being able to provide such Offering Materials to purchasers or potential purchasers as Dealer in its reasonable judgment deems appropriate.

(b) The Board will use the proceeds of Notes for authorized purposes as described in the Note Resolution.

(c) The Board covenants to take all actions as are necessary in the opinion of McCall, Parkhurst & Horton L.L.P. to maintain the exclusion from gross income of interest on the Notes for Federal income tax purposes.

9. The Board represents that (i) the System is an institution of higher education operating under the laws of the State of Texas, (ii) it has taken all necessary action and has full power (A) to enter into this Agreement, the Issuing and Paying Agency Agreement and all other agreements applicable to the issuance of the Notes and (B) to issue and deliver the Notes and to carry out its obligation thereunder and hereunder and (iii) the Notes when issued will constitute the legal, valid and binding obligations of the Board and shall be enforceable in accordance with their terms.

10. Each sale of Notes by the Board hereunder shall be deemed to be a representation by it that:

(i) the representations, warranties and covenants of the Board contained in this Agreement are true and correct on and as of the date of such sale;

(ii) no event has occurred and is continuing, or would result from such sale, which constitutes or would constitute an event of default, or which would constitute an event of default but for the requirement that notice be given or time elapse or both, under any of the Board's indebtedness secured with the Pledged Revenues of the Board; and

(iii) there has been no material adverse change in the financial condition or operations of the System since the date of the most recent Offering Materials, which has not been disclosed to Dealer in writing.

11. Dealer hereby names _____ of Dealer as the designated representative of Dealer in the performance of its duties and obligations under this Agreement. In the event that the person or persons so acting as the designated representative of Dealer are not able to perform the duties and obligations set forth in this Agreement, the Board may contact the individual named in Section 12 of this Agreement with respect to the performance by Dealer of its duties and obligations under this Agreement.

12. All notices required or permitted under the terms and provisions hereof shall be in writing (which shall include electronic transmission) and shall, unless otherwise provided herein,

be effective when received at the address specified below or at such other address as shall be specified in a notice furnished hereunder.

If to the Board:

Board of Regents of The University of Texas System
221 West 6th Street, Suite 1700
Austin, Texas 78701
Attention: Philip Aldridge, Assistant Vice Chancellor for Finance
Tel. No.: (512) 225-1692
Facsimile No.: (512) 225-1698
email: paldrige@utsystem.edu

If to Dealer:

Attention: _____
Tel: No.: _____
Facsimile No.: _____
email: _____

13. This Agreement is to be delivered and performed, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Texas.

14. The Board agrees to reimburse Dealer for the actual fees and expenses of any outside counsel utilized by Dealer in connection with the execution and delivery of this Agreement; such fees and expenses, however shall not exceed \$2,000.

15. For the services to be performed by Dealer under this Agreement, the Board agrees to pay a fee calculated in the manner set forth in the addendum to this Agreement. Such addendum may be amended from time to time upon the mutual agreement of the U.T. System Representative and the representative of Dealer.

16. This Agreement may be terminated by either party, at any time upon thirty (30) days notice to such effect to the other party. Any such termination, however, shall not affect the obligation of the Board under Sections 9, 10, 14 or 15 hereof or the rights or responsibilities of the parties arising prior to the termination of this Agreement.

If the foregoing is in accordance with your understanding of this Agreement, please sign and return to us a counterpart hereof, whereupon this letter agreement along with all counterparts will become a binding agreement between us in accordance with its terms.

Very truly yours,

THE UNIVERSITY OF TEXAS SYSTEM

By: _____
Assistant Vice Chancellor for Finance

Accepted and agreed to this _____:

[DEALER]

By: _____
Authorized Signatory

6. U. T. System: Request to Approve an Aggregate Amount of Equipment Financing for Fiscal Year 2003 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve an aggregate amount of \$49,368,000 in equipment to be purchased in Fiscal Year 2003 under the Revenue Financing System Equipment Financing Program as follows:

U. T. Arlington	\$ 4,000,000
U. T. Austin	\$ 2,500,000
U. T. El Paso	\$ 2,030,000
U. T. Southwestern Medical Center – Dallas	\$ 8,125,000
U. T. Medical Branch - Galveston	\$10,000,000
U. T. Health Science Center - San Antonio	\$ 1,000,000
U. T. M. D. Anderson Cancer Center	\$20,000,000
U. T. Health Center - Tyler	\$ 1,513,000
U. T. System Administration	<u>\$ 200,000</u>
TOTAL	\$49,368,000

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution") adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 38, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such Parity Debt
- b. 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 Board relating to the Financing System

- c. The component 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$49,368,000 for the purchase of equipment
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Relations.

BACKGROUND INFORMATION

At the April 14, 1994 meeting, the U. T. 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. 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.

This agenda item requests approval of an aggregate amount of \$49,368,000 for equipment financing for Fiscal Year 2003, of which \$927,000 represents the carryover of equipment authorized for purchase during FY 2002 by U. T. El Paso.

For FY 2002, the Board approved \$31,715,000 of equipment financing, of which \$17,129,000 has been issued as of June 30, 2002. An additional \$13,000,000 is expected to be issued by the end of the fiscal year.

With the issuance of all requested equipment financing debt, the debt service coverage for the U. T. System is projected to range from 2.0 to 3.0 times from FY 2003 to FY 2007. Further details on the equipment to be financed and debt coverage ratios for individual component institutions can be found on Page 39.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the equipment costs at U. T. Arlington, U. T. Austin, U. T. El Paso, U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, U. T. Health Center - Tyler, and U. T. System Administration, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 12th day of July, 2002

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

**APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2003**

Component	\$ Amount of Request	Description of Equipment Purchases	Source of Funds		DSC*	
			Funds	Min	Max	
U. T. Arlington	\$4,000,000	Computers, HVAC, security, vehicles and elevators	Designated Tuition and charges to users	1.62	2.38	
U. T. Austin	2,500,000	Academic, research computers and equipment	Student fees and charges to users	1.59	2.08	
U. T. El Paso	2,030,000	Vehicles, network upgrades, HVAC and Smart Card	Designated Tuition	1.21	2.21	
U. T. Southwestern Medical Center - Dallas	8,125,000	Radiology oncology equipment	Patient income	2.29	3.26	
U. T. Medical Branch - Galveston	10,000,000	Hospital and clinical equipment	Hospital income	2.29	4.18	
U. T. Health Science Center - San Antonio	1,000,000	Clinical equipment	Patient income	0.97	1.54	
U. T. M. D. Anderson Cancer Center	20,000,000	Diagnostic imaging, radiation and research equipment	Patient income	2.65	6.26	
U. T. Health Center - Tyler	1,513,000	Medical, clinical equipment	Patient income	1.45	7.76	
U. T. System Administration	200,000	Office equipment	AUF** and departmental funds	92.55	197.60	
Total	\$49,368,000			2.01	2.95	

*Debit Service Coverage

**Available University Fund

U. T. System Office of Finance, June 11, 2002

7. U. T. System: Request for Approval to Exceed the Full-Time Equivalent Limitation on Employees Paid from Appropriated Funds as Required by the General Appropriations Act of the 77th Texas Legislature, Article IX, Section 6.14

RECOMMENDATION

The Chancellor concurs in the recommendation of the U. T. System Executive Officers and the presidents of certain U. T. System component institutions that the U. T. Board of Regents approve those institutions, as set forth in the table on Page 41, to exceed the number of full-time equivalent (FTE) employees for Fiscal Year 2003 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.14 of the General Appropriations Act, it is recommended that the U. T. Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from Appropriated Funds.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from Appropriated Funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. In order to exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

**The University of Texas System
 REQUEST TO EXCEED FULL-TIME EQUIVALENT (FTE) LIMITATION
 ON EMPLOYEES PAID FROM APPROPRIATED FUNDS
 (Article IX, Section 6.14 of the General Appropriations Act)
 Fiscal Year 2003**

Component	FTE Limitation	FTE Positions Requested	Requested Increase in Number of FTEs
U. T. System Administration	223.80	258.40	34.60
U. T. Arlington	1,921.50	2,047.00	125.50
U.T. Brownsville	294.20	759.90	465.70
U. T. Dallas	1,163.50	1,304.80	141.30
U. T. El Paso	1,510.60	1,604.22	93.62
U. T. Pan American	1,257.00	1,394.35	137.35
U. T. Permian Basin	248.50	262.10	13.60
U. T. San Antonio	1,638.30	1,753.30	115.00
U. T. Tyler	353.30	393.30	40.00
U. T. Southwestern Medical Center - Dallas	1,669.50	1,739.50	70.00
U. T. Health Science Center - San Antonio	2,248.10	2,351.90	130.80
U. T. M. D. Anderson Cancer Center	7,861.40	8,859.40	998.00

*Office of the Controller
 U. T. System
 July 2002*

8. U. T. Board of Regents: Request to Allocate Available University Fund Monies to the Comprehensive Property Protection Program (CPPP)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents allocate \$5.5 million of Available University Fund monies to the Comprehensive Property Protection Program (CPPP) to offset the cost of self-insurance fund contributions to the U. T. System component institutions for the first year under the new CPPP structure.

BACKGROUND INFORMATION

The CPPP was established in 1995 as a means of financing catastrophic property losses. The program combines a \$5 million self-insurance fund that was initially funded by the U. T. Board of Regents and a commercial property insurance policy. Major losses that have been reported under this program are the Welch Hall fire of 1996 at U. T. Austin, the Recreation Center fire of 2001 at U. T. Health Science Center - Houston, and damage at U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center from Tropical Storm Allison in 2001. The current CPPP fund balance is \$2.8 million.

U. T. System Administration and the Risk Management Advisory Committee have explored alternate program structures that would establish a mechanism to finance wind and flood losses that are currently uninsured, reduce insurance premiums, and reduce U. T. System's vulnerability to insurance market cycles. In cooperation with Office of Finance staff, U. T. System Administration created a financial model that evaluated several deductible options using loss projections developed by the actuarial firm of Rudd & Wisdom, Inc.

The new structure of the CPPP consists of two distinct programs. One is a total self-insurance program that covers losses caused by named windstorms and flood. To protect the self-insurance fund, U. T. System component institutions in the Tier 1 wind zone and/or Flood Zone A would purchase Texas Windstorm Association and/or National Flood Insurance Program policies. Because these

policies provide an underlying layer of protection for the program, the institutions that purchase these policies would receive direct credit to offset their annual fund contributions.

The second program would cover fire and all other perils, excluding named windstorm and high hazard flood. This program includes insurance, but with a significant deductible. To finance the self-insurance portion of this program, component institutions would make annual contributions to a self-insurance fund in addition to paying insurance premiums.

Allocation of the \$5.5 million of Available University Fund monies will follow precedent and will offset the first year fund contributions to provide relief to the institutions who faced significant premium increases last year.

9. U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 2002

REPORT

Pages 45 - 51 contain the Summary Reports on Investments for the fiscal quarter ended May 31, 2002.

Item I on Pages 45 - 46 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 2.47%. The PUF's net investment return for marketable securities for the quarter was 2.98% versus its composite benchmark return of 1.92%.

Item II on Pages 47 - 49 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the quarter was 2.61%. The GEF's net investment return for marketable securities for the quarter was 3.05% versus its composite benchmark return of 1.92%.

Item III on Page 50 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 0.63% for the quarter versus the SITF's performance benchmark of 0.93%.

Item IV on Page 51 presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$140 million to \$1,163 million during the third quarter. Market values for the remaining asset types were fixed income securities: \$412 million versus \$110 million at previous quarter-end; equities: \$155 million versus \$160 million at previous quarter-end; and other investments of \$0.6 million versus \$1 million at previous quarter-end.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at May 31, 2002 (2)

(\$ millions)

	FY00-01	FY01-02			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	8,452.3	7,540.1	7,079.2	7,114.0	7,540.1
PUF Lands Receipts (3)	115.6	29.2	14.7	16.8	60.7
Investment Return	(693.2)	(146.7)	25.0	178.5	56.8
Expenses	(17.5)	(5.0)	(4.9)	(6.0)	(15.9)
Distributions to AUJF	(317.1)	(338.4)	-	-	(338.4)
Ending Net Assets	7,540.1	7,079.2	7,114.0	7,303.3	7,303.3
AUJF Distribution:					
From PUF Investments	317.1	338.4	-	-	338.4
From Surface Income	9.2	0.9	2.7	1.1	4.7
Total	326.3	339.3	2.7	1.1	343.1
Total Net Investment Return	-8.64%	-2.03%	0.32%	2.47%	0.71%

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

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2001 values of \$524.6 million and \$156.7 million, respectively.

(3) PUF Land Receipts - As of May 31, 2002: 1,177,421 acres under lease; 521,708 producing acres; 3,171 active leases; and 2,071 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the quarter ended May 31, 2002

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	1.6%	0.0%	-0.53%	0.49%	90 Day T-Bills Average Yield
Domestic Common Stocks:					
Large/Medium Capitalization Equities	19.7%	25.0%	0.09%	-3.24%	Standard & Poor's 500 Index
Small Capitalization Equities	10.1%	7.5%	3.47%	4.18%	Russell 2000 Index
Total Domestic Common Stocks	<u>29.8%</u>	<u>32.5%</u>			
International Common Stocks:					
Established Markets	12.0%	12.0%	8.46%	7.45%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	4.5%	3.0%	4.91%	4.06%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	<u>16.5%</u>	<u>15.0%</u>			
Inflation Hedging	8.4%	7.5%	7.04%	3.69%	33% (Goldman Sachs Commodity Index minus 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:					
Domestic	16.4%	15.0%	1.11%	1.10%	Lehman Brothers Aggregate Bond Index
International	2.6%	5.0%	8.27%	8.12%	Salomon Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	<u>19.0%</u>	<u>20.0%</u>			
Marketable Alternative Equities	11.8%	10.0%	1.43%	2.25%	90 Day T-Bills Average Yield + 7%
Total Marketable Securities	<u>87.1%</u>	<u>85.0%</u>	<u>2.98%</u>	<u>1.92%</u>	
Nonmarketable Alternative Equities	12.9%	15.0%	-0.80%	(2)	
Total	<u>100.0%</u>	<u>100.0%</u>	<u>2.47%</u>		

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.
 (2) Due to the valuation and illiquid characteristics associated with Nonmarketable Alternative Equities, short-term benchmark comparisons are not appropriate. Nonmarketable Alternative Equities are expected to produce a return premium when compared to a marketable investment alternative, such as the Standard and Poor's 500 Index. The Internal Rate of Return (IRR) since inception through May 31, 2002, for the PUF's Nonmarketable Alternative Equities program, was 12.8%, including distributed stock. For comparison, the IRR for the same cash flow stream as if it had been invested in the Standard and Poor's 500 Index was 7.5%.

II. GENERAL ENDOWMENT FUND (1)(2)

a.) Summary Investment Report at May 31, 2002

	For the Period from Inception (March 1, 2001) to August 31, 2001	FY01-02				Year-to-Date
		1st Qtr	2nd Qtr	3rd Qtr		
Beginning Net Assets		3,723.9		3,633.2		3,723.9
Net Contributions	3,818.2	(47.6)	(14.9)	(100.2)		(162.7)
Investment Return	(81.2)	(55.3)	12.5	96.6		53.8
Expenses	(3.4)	(1.5)	(1.7)	(2.2)		(5.4)
Distributions (3)	(9.7)	20.8	(3.0)	(1.3)		16.5
Ending Net Assets	3,723.9	3,640.3	3,633.2	3,626.1		3,626.1
Net Asset Value per Unit	97.811	96.325	96.612	99.099		99.099
Units and Percentage Ownership (End of Period):						
PHF	9,009,891	23.7%	8,897,012	23.5%	7,784,304	21.3%
LTF	29,062,538	76.3%	28,895,291	76.5%	28,806,706	78.7%
Total	38,072,429	100.0%	37,792,303	100.0%	36,591,010	100.0%
Total Net Investment Return	-2.14	-1.50%	0.32%	2.61%		1.40%

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

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

(3) The GEF distributes its net investment income and realized gain (loss) to its unitholders based on their ownership of GEF units at month end. The distributed amounts are reinvested as GEF contributions. The distribution is proportional to the percentage of ownership by the unitholders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unitholders' Summary Investment Report at May 31, 2002 (1)

(\$ millions)

	FY00-01 Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
PERMANENT HEALTH FUND					
Beginning Net Assets	1,016.6	881.4	857.2	848.8	881.4
Withdrawals	-	-	-	(88.2)	(88.2)
Investment Return	(92.1)	(13.4)	2.6	21.8	11.0
Expenses	(1.1)	(0.1)	(0.2)	(0.1)	(0.4)
Distributions (Payout)	(42.0)	(10.7)	(10.8)	(10.7)	(32.2)
Ending Net Assets	881.4	857.2	848.8	771.6	771.6
Net Asset Value per Unit (2)	0.964617	0.938062	0.928935	0.940949	0.940949
No. of Units (End of Period)	913,765,506	913,765,506	913,765,506	820,000,000	820,000,000
Distribution Rate per Unit	0.04600	0.01175	0.01175	0.01175	0.03525
Total Net Investment Return	-9.24%	-1.53%	0.28%	2.56%	1.27%
LONG TERM FUND					
Beginning Net Assets	3,136.2	2,843.3	2,783.3	2,784.5	2,843.3
Net Contributions	113.2	16.8	26.4	34.1	77.3
Investment Return	(276.5)	(43.5)	8.4	72.7	37.6
Expenses	(2.3)	(0.1)	(0.1)	(2.6)	(2.8)
Distributions (Payout)	(127.3)	(33.2)	(33.5)	(33.9)	(100.6)
Ending Net Assets	2,843.3	2,783.3	2,784.5	2,854.8	2,854.8
Net Asset Value per Unit (2)	5.412	5.266	5.219	5.286	5.286
No. of Units (End of Period)	525,401,525	528,498,599	533,513,842	540,048,019	540,048,019
Distribution Rate per Unit	0.24500	0.06275	0.06275	0.06275	0.18825
Total Net Investment Return	-8.80%	-1.50%	0.32%	2.58%	1.37%

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

(2) The asset allocation of the PHF and LTF, beginning in the 3rd fiscal quarter of FY00-01, is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the quarter ended May 31, 2002

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	0.1%	0.0%	0.77%	0.49%	90 Day T-Bills Average Yield
Domestic Common Stocks:					
Large/Medium Capitalization Equities	20.0%	25.0%	0.25%	-3.24%	Standard & Poor's 500 Index
Small Capitalization Equities	10.7%	7.5%	3.62%	4.18%	Russell 2000 Index
Total Domestic Common Stocks	30.7%	32.5%			
International Common Stocks:					
Established Markets	13.0%	12.0%	8.42%	7.45%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	4.9%	3.0%	4.82%	4.06%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	17.9%	15.0%			
Inflation Hedging	8.8%	7.5%	7.05%	3.69%	33% (Goldman Sachs Commodity Index minus 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:					
Domestic	16.2%	15.0%	1.05%	1.10%	Lehman Brothers Aggregate Bond Index
International	3.0%	5.0%	8.24%	8.12%	Salomon Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	19.2%	20.0%			
Marketable Alternative Equities	13.2%	10.0%	1.42%	2.25%	90 Day T-Bills Average Yield + 7%
Total Marketable Securities	89.9%	85.0%	3.05%	1.92%	
Nonmarketable Alternative Equities	10.1%	15.0%	-1.33%	(2)	
Total	100.0%	100.0%	2.61%		

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

(2) Due to the valuation and illiquid characteristics associated with Nonmarketable Alternative Equities, short-term benchmark comparisons are not appropriate. Nonmarketable Alternative Equities are expected to produce a return premium when compared to a marketable investment alternative, such as the Standard and Poor's 500 Index. The Internal Rate of Return (IRR) since inception (refers to the time period when acquired by the LTF or PHF) through May 31, 2002 for the GEF's Nonmarketable Alternative Equities program, was 11.2%, including distributed stock. For comparison, the IRR for the same cash flow stream as if it had been invested in the Standard and Poor's 500 Index was 8.9%.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at May 31, 2002

(\$ millions)

	FY00-01	FY01-02			Year-to-Date
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	
Beginning Net Assets	1,844.4	1,704.6	1,714.0	1,451.9	1,704.6
Contributions					
(Net of Withdrawals)	(194.7)	2.1	(254.5)	31.4	(221.0)
Investment Return	161.2	27.5	10.6	9.6	47.7
Expenses	(0.5)	(0.2)	(0.2)	(0.2)	(0.6)
Distributions of Income	(105.8)	(20.0)	(18.0)	(15.1)	(53.1)
Ending Net Assets	1,704.6	1,714.0	1,451.9	1,477.6	1,477.6
Net Asset Value per Unit	10.152	10.195	10.150	10.110	10.110
No. of Units (End of Period)	167,909,159	168,126,090	143,051,739	146,147,403	146,147,403
Total Net Investment Return	8.96%	1.60%	0.63%	0.63%	2.89%

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

10. U. T. Board of Regents: Request for Approval of the Annual Budget and Management Fee Schedule for The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve UTIMCO's Annual Budget and Management Fee Schedule for the fiscal year ending August 31, 2003, as set forth on Page 53.

BACKGROUND INFORMATION

The Investment Management Services Agreement by and between the U. T. Board of Regents and UTIMCO requires that UTIMCO submit its annual budget and management fee schedule to the U. T. Board of Regents for approval. The annual budget consists of UTIMCO's management fee and a budget for direct expenses of the funds managed by UTIMCO.

The total budget for the fiscal year ending August 31, 2003, is \$33,320,032, an increase of \$1,351,185 or 4.2% from 2002. UTIMCO's management fee for the fiscal year ending August 31, 2003, will increase by \$2,904,225 from \$6,698,276 to \$9,602,501. Budgeted direct expenses will decrease by \$1,553,040 from \$25,270,571 to \$23,717,531. The UTIMCO Board of Directors approved the proposed budget and management fees on June 18, 2002.

UTIMCO Budget (\$)
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2003

	The Permanent University Fund (PUF)	The University of Texas System Long Term Fund (LTF)	The University of Texas System Intermediate Term Fund (SITF)	Short Term Fund (STF)	Separately Invested Endowments and Charitable Trust Accounts	Total
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UTIMCO Management Fee (1) (includes all operating expenses associated with the general management of the Funds) **9,602,501**

Direct Expenses of the Fund:

External Management Fees	8,703,690	4,640,801				13,344,491
External Management Fees-Performance	4,597,210	2,174,330				6,771,540
Other Direct Costs	2,082,812	21,700	1,320,868	116,850	5,000	3,601,500
Total Direct Expenses of the Fund	15,383,712	21,700	8,135,999	116,850	5,000	23,717,531

TOTAL UTIMCO Budget for the fiscal year ending August 31, 2003 **30,986,032**

Market Value of Funds Managed by UTIMCO as of 2/28/02 (\$ millions)

	7,114.0	848.8	2,784.5	1,451.9	1,257.1 (2)	171.9	13,628.2
			3,633.3 (3)				

Percentage of Market Value

UTIMCO Services	0.073%	0.080%	0.113%	0.042%	0.000%	0.000%	0.070%
Direct Expenses of the Fund	0.216%	0.003%	0.224%	0.008%	0.000%	0.003%	0.174%
TOTAL	0.289%	0.083%	0.115%	0.050%	0.000%	0.003%	0.244%

(1) Allocation Ratio: PUF-54%, PHF-7%, LTF-33%, SITF-6%
(2) Interest income is net of fees and is not budgeted
(3) Pooled fund for the collective investment of the PHF and LTF

11. U. T. System: Proposed Increases in the Annual Distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) and the UTIMCO Board of Directors that:

- a. The fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 7.3% from \$338,433,636 to \$363,022,043 effective September 1, 2002
- b. The distribution rate for the Permanent Health Fund (PHF) remain at its current rate per unit of \$0.047
- c. The distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.251 per unit to \$0.258 per unit effective November 30, 2002.

BACKGROUND INFORMATION

For comparative purposes, the recommended distributions from the PUF, PHF, and LTF represent 5.10%, 5.06%, and 4.94%, of the respective funds' market value as of February 28, 2002.

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the Fund for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for FY 2002-2003 is \$363,022,043 as calculated in the chart on the following page.

<u>Quarter Ended</u>	<u>Net Asset Value</u>
5/31/99	\$ 7,437,047,422
8/31/99	7,465,560,698
11/30/99	7,697,888,965
2/29/00	7,924,756,395
5/31/00	7,910,907,663
8/31/00	8,452,335,867
11/30/00	7,652,556,843
2/28/01	7,686,874,230
5/31/01	7,749,573,154
8/31/01	7,540,148,091
11/30/01	7,079,157,437
02/28/02	7,114,025,229
	<u>\$ 91,710,831,994</u>
Number of quarters	12
Average Net Asset Value	<u>\$ 7,642,569,333</u>
Distribution Percentage	4.75%
FY 2002-03 Distribution	<u>\$ 363,022,043</u>

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board of Regents' discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$363,022,043 is substantially greater than PUF Bonds debt service of \$148,502,000 projected for FY 2002-2003.

<u>System</u>	<u>Debt Service</u>
U. T.	\$ 94,200,000
TAMU	54,302,000
Total	<u>\$ 148,502,000</u>

Sources: U. T. System Office of Finance
Texas A&M University System
Office of Treasury Services

2. The U. T. Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved.

As the schedule below indicates, the U. T. Board of Regents may increase the FY 2001-02 distribution of \$338,433,636 by 7.3%, as proposed, because the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2002, was 1.91%.

Average Annual	Percent
Rate of Total Return	9.57%
Expense Rate	(.05)% (1)
Inflation Rate	(2.52)%
Distribution Rate	(5.09)%
Net Real Return	1.91%

Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board of Regents, except as necessary to pay PUF bonds debt service. The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$7,642,569,333	\$363,022,043	4.75%	7.00%

(1) Source: UTIMCO

The spending formula under the PHF Investment Policy and the LTF Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each Fund's respective trailing 12 fiscal quarters.

The recommendation for the PHF rate of \$.047 per unit to remain unchanged for FY 2003 is based on the PHF's net asset value of \$848.8 million at February 28, 2002, being less than the original PHF contributions of \$915.0 million. The PHF's average distribution rate since inception is 4.5%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy. The recommended distribution rate of \$.047 per unit was approved by the UTIMCO Board on February 19, 2002.

The 2.8% increase in LTF distribution rate from \$0.251 per unit to \$0.258 is recommended based on the investment policy to increase the distribution by the average rate of inflation for the trailing 12 fiscal quarters. The consumer price index for the prior three years as of November 30, 2001, was 2.7%. The increase of 2.8% above results from rounding the per unit rate as provided in the investment policy. The recommended distribution rate of \$.258 per unit was approved by the UTIMCO Board on February 19, 2002.

INFORMATIONAL REPORT

U. T. System: Discussion of the June 2002 Monthly Financial Report

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will discuss the June 2002 Monthly Financial Report for the U. T. System.

1. U. T. System: Request to Adopt a Joint Resolution Between The University of Texas System and the University of Houston System

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that the U. T. Board of Regents adopt the following Joint Resolution between The University of Texas System and the University of Houston System, which focuses on collaborative efforts to help Texas close the gaps in all levels of educational participation and achievement:

RESOLUTION

WHEREAS, The economic and social health of any society depends on a well-educated citizenry, and this educational imperative is even more critical in the present knowledge-based and global economy;

WHEREAS, Texas lags behind other large states and the national average in many key measurements of economic and social vitality, such as the educational level of the workforce, high school graduation rates, university attendance rates, the percentage of adults with a college degree, and per capita income;

WHEREAS, Given the reality of demographic change in Texas and the fact that the fastest growing groups have had the lowest educational achievement rates, the State will fall even further behind in the early 21st Century unless current trends are reversed;

WHEREAS, Population growth and demographic change represent a great opportunity for Texas to develop one of the world's most dynamic economies and most vibrant societies if pressing educational challenges are addressed successfully;

WHEREAS, Texas higher education, through an initiative administered by the Texas Higher Education Coordinating Board, is committed to a comprehensive program of "closing the gaps" in educational participation and achievement at all levels;

WHEREAS, The University of Houston System and The University of Texas System are major participants in the 'Closing the Gaps' initiative and related efforts to assist the State's elementary and secondary schools in fulfilling their educational missions;

WHEREAS, Both of these university systems have established records of excellence in educational research; development and implementation of research-based instructional programs; innovative teacher education and professional development programs; addressing the educational needs of disadvantaged students and underrepresented segments of the population; and fostering collaboration with the public schools on many fronts;

WHEREAS, Together, the U. H. and U. T. Systems have a presence in all of the State's major urban areas, where the key educational challenges facing Texas are exhibited in their fullest and most complex forms;

WHEREAS, The Boards of Regents of both the U. H. and U. T. Systems affirm that one of the central responsibilities of public higher education institutions is to focus their resources on advancing a state's economic strength and diversification as well as its social vitality and coherence, and that these worthy goals are often best pursued through collaborative efforts involving partnerships among diverse institutions and organizations; and

WHEREAS, By combining their efforts in dealing with many aspects of the serious educational issues facing Texas, the U. H. and U. T. Systems are well positioned to create synergies that offer the likelihood of far greater progress than either system could achieve working alone; therefore, be it

RESOLVED, That the Boards of Regents of the University of Houston System and The University of Texas System are committed to an expanded series of collaborative efforts between the two systems in order to better address the need for Texas to close the gaps in all levels of educational participation and achievement; and be it further

RESOLVED, That, to further these new collaborations, the two Boards of Regents establish the UH/UT Alliance for Educational Progress, a partnership that will build on the diverse strengths of institutions in each university system to encourage a broad range of collaborations among faculty and administrators, with goals that include:

- Enhancing teacher training for the public schools;
- Improving professional development of current teachers;
- Expanding Advanced Placement offerings in the public schools;
- Introducing new curricula and instructional methods to the classroom, consistent with research-based best practices;

- Strengthening programs of outreach to educationally, economically, or socially disadvantaged students;
- Creating and promoting innovative approaches to delivering first-class educational services in a pluralistic urban setting; and
- Fostering the concept and practice of education as a seamless continuum that extends, in a formal sense, from pre-kindergarten through advanced university studies, but is, in the truest sense, a lifelong challenge and adventure that is the birthright of all members of a democratic society.

BACKGROUND INFORMATION

The resolution will also be presented to the Board of Regents of the University of Houston System.

2. U. T. Arlington: Request for Authorization to Establish a Ph.D. in Nursing and to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Witt that authorization be granted to establish a Ph.D. in Nursing at U. T. Arlington and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed doctoral degree program is consistent with the approved Table of Programs and institutional plans of U. T. Arlington for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Healthy People 2010, the national health agenda for the United States, calls for the elimination of health disparities among Americans and requires access to health services for all citizens. As the population of the U. S. has become more diverse, there is a need for educators, practicing nurses, and researchers with greater skills and understanding of culturally related health care. Increasingly, subpopulations within the U. S., whether defined by age, gender, ethnicity, financial status, clinical health problems, or geography, are targets for specialized health care.

Currently, no doctoral program in Texas has as its primary goal the preparation of nurse scientists who have the knowledge and skills to integrate nursing and related health disciplines for the purpose of designing and testing nursing interventions with culturally diverse populations. Similarly, there are no doctoral programs in Texas that have as their goal the preparation of faculty who are able to assist students gain knowledge in caring for diverse and/or vulnerable populations. The proposed program is specifically designed to prepare nurse scientists, and to increase the number of faculty, to meet the health needs of a rapidly changing and culturally diverse population.

Program Description

The proposed program initially includes two major areas of study: Academic Role Development and Health Services Research.

The Academic Role Development area provides opportunities for students to develop knowledge and skills required for a successful academic role (faculty, dean, director) in institutions of higher education that prepare nursing students who are capable of careers in a culturally diverse society.

The Health Services Research area provides opportunities for students to develop knowledge and skills required for a successful role in health research focused on culturally diverse and/or vulnerable populations.

Program Quality

The Ph.D. program in Nursing was designed using the “indicators of quality in research-focused doctoral programs in Nursing” and will be evaluated in accordance with these indicators (American Association of Colleges of Nursing, November 2001). The excellence of the undergraduate and graduate programs in nursing at U. T. Arlington has been consistently demonstrated through a 10-year average pass rate of 92% on the national licensing exam (B.S.N. program) and

national certification exam pass rates between 96% and 100% (M.S.N. program) for the past three years. The M.S.N. program is ranked in the top 23% of all graduate programs in nursing in *U. S. News and World Report*. External funding for the school has grown from \$255,300 in 1996 to \$1,442,393 in 2000-2001. Forty-two doctorally prepared faculty have a variety of scholarship initiatives in which doctoral students will become involved. The full cadre of nurse practitioner and administrative faculty hold certifications in their areas and are practicing clinicians.

Program Cost

Estimated expenditures of \$1,892,240 for the first five years of the program include \$1,338,081 for 9.5 new faculty; \$151,200 for five graduate assistants; \$132,729 for clerical staff; \$31,956 for supplies, materials and library resources; \$159,274 for program administration; \$28,000 for equipment; and \$51,000 for faculty salaries for summer semesters. The institution has committed \$243,000 in existing resources in addition to \$1,655,000 in formula funding to finance the first five years of the program.

3. U. T. Arlington: Request for Authorization to Establish a Master of Arts in Communication; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

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

The proposed master's degree program is consistent with the approved Table of Programs and institutional plans of U. T. Arlington for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

The proposed Master of Arts in Communication degree will be designed to enhance and update the skills and knowledge base of media professionals. The introduction of new technologies has resulted in rapid change in media professions. A recent trend in the media professions involving the convergence of the various communications fields (e.g., speech, journalism, public relations) has also caused changes in media professional roles. The proposed program will emphasize an integrated approach to the discipline, incorporating the varied fields represented in the U. T. Arlington Department of Communication. As a result, the program will be uniquely situated to prepare traditional graduate students and media professionals for the rapidly changing media professions.

Program Description

The proposed Master of Arts in Communication degree has both thesis and non-thesis options. The thesis option consists of 24 semester credit hour of organized coursework and a six semester credit hour thesis. The non-thesis option requires 33 hours of organized coursework and a three semester credit hour final project. Individual courses will integrate theory and research from the various communication fields. The majority of organized courses will be offered in the late afternoon and evening to ensure that employed professionals are able to complete the degree in a reasonable period of time.

Program Quality

Faculty in the Department of Communication are active in scholarly research and publication, and all faculty who will supervise student theses have significant records of research accomplishment. External reviewers for the 1999 departmental program review praised the unique, integrated focus of the undergraduate Communication

program and judged it to be well suited to the needs of the profession. They also noted the tremendous asset of the institution's geographic location with its multiple media outlets, creating an opportunity they judged to be "unparalleled among public universities in the nation."

Program Cost

Estimated expenditures of \$660,800 for the first five years of the program include \$409,000 for two new tenure-track faculty members and \$107,500 for four graduate teaching assistants, \$60,800 for computer software and equipment, \$80,500 for clerical staff, and \$3,000 for supplies. State formula funding projected for years three through five of the program is expected to total \$301,294. In addition, the institution has committed \$395,248 of institutional resources to support the first five years of the program.

4. U. T. El Paso: Request for Authorization to Establish a Ph.D. in Civil Engineering and to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Ph.D. in Civil Engineering at U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed doctoral degree program is consistent with the approved Table of Programs and institutional plans for U. T. El Paso for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

The most recent report by the American Society of Civil Engineers on America's infrastructure provides an analysis of the infrastructure situation in Texas highlighting specific concerns for roads, bridges, water, and transit. The report suggests that Texas must invest \$6.4 billion over the next 20 years to upgrade sewage treatment plants and improve water pollution control systems. In the border region of Texas the situation is even more serious, with problems complicated by low economic and education levels and high population growth.

The proposed program is designed to sustain research activities in infrastructure systems that will help the region and the State resolve the massive infrastructure development challenges anticipated in the next several decades and to address a critical state and national shortage of Hispanics in engineering fields.

Program Description

The proposed program consists of 72 semester credit hours beyond the bachelor's level (or at least 48 semester credit hours beyond the master's level). The program focuses on infrastructure engineering systems, a critical area for research and education in the border region. The proposed program emphasizes research and education on environmental, transportation, and structural systems. This emphasis complements existing U. T. El Paso Ph.D. programs in Environmental Science and Engineering, Materials Science and Engineering, and Geological Sciences.

Program Quality

The U. T. El Paso Civil Engineering faculty has a remarkable and consistent record of scholarly accomplishment and research activity. The department currently generates about \$1 million per year in externally supported research.

Program Cost

Estimated expenditures for the first five years of the program are \$1,700,000. This includes \$585,000 for two new faculty positions, \$558,000 for additional teaching assistant positions, \$175,000 for additional staff, and \$382,000 for equipment, library resources, and supplies. U. T. El Paso will commit \$1,196,000 of existing resources in addition to \$504,000 in formula funding to finance the first five years of the program.

5. U. T. El Paso: Request for Authorization to Establish a Ph.D. in International Business and to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Ph.D. in International Business at U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed doctoral degree program is consistent with the approved Table of Programs and institutional plans of U. T. El Paso for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Increasingly, business students must not only master new technologies that are being developed, they must also understand the global economic and business environments that transcend national boundaries. The passage of the North American Free Trade Agreement has brought the region to the forefront of state, national, and international attention and offers a long-standing prototype of interdependence across traditional boundaries.

Students enrolled in the proposed program will have special opportunities to develop the kind of global perspectives that the 21st Century demands, through specific course content and through the settings in which they will complete their studies. The region has over 350 multinational business facilities and provides an ideal vantage point to examine contemporary international business situations in which diverse business groups interact on a global basis.

The proposed program capitalizes on U. T. El Paso's border location to serve as an intellectual resource in the development of globalized business ventures that represent a vital element of the economic future of Texas and the border region.

The proposed program will help address the critical shortage of Hispanic Ph.D.-trained faculty and will help to close the gap in participation rates across the State for minority students. The program will also enhance U. T. El Paso's position as a nationally and internationally recognized center for research and education related to the U. S.-Mexico border region.

Program Description

The proposed program will consist of 69 semester credit hours beyond the bachelor's level, or a minimum of 45 hours beyond the master's level. While the program is designed for individuals with significant formal business training, it will accommodate individuals from a broad variety of disciplinary backgrounds. Students will complete coursework that emphasizes the latest developments in business theory, quantitative techniques, research methodologies, and empirical evidence in the field of international business. In addition, the program will build on the unique assets available in the El Paso-Ciudad Juárez border region to address transnational manufacturing and supply chain and capital flow issues.

Program Quality

The existing U. T. El Paso College of Business Administration faculty has an established record of scholarly accomplishments and research productivity. Current research and outreach programs are linked to research centers on campus and have systematically involved graduate students.

All programs currently offered by the College of Business Administration are accredited by the Association to Advance Collegiate Schools of Business International.

Program Cost

Estimated expenditures for the first five years of the program are \$2,484,250. This includes \$1,197,000 for four new faculty positions, \$888,000 for additional teaching assistant positions, \$110,000 for additional staff, and \$289,250 for improved facilities, equipment, and library resources. U. T. El Paso will commit \$1,624,500 of existing resources in addition to \$859,750 in formula funding to finance the first five years of the program.

6. U. T. San Antonio: Request for Authorization to Establish a Ph.D. in Cell and Molecular Biology and to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Ph.D. in Cell and Molecular Biology at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed doctoral degree program is consistent with the approved Table of Programs and institutional plans of U. T. San Antonio for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

In recent years there has been dynamic growth throughout the world, the nation, and Texas in biotechnology and biomedicine, creating a critical need for more trained professionals who can sustain this growth into the foreseeable future.

Cell and molecular biology is the basic core upon which biotechnology and biomedicine have developed and evolved. Advances in these fields will provide critical information to the scientific community for the development of new approaches to diagnosing and treating human injuries, disease, and inherited factors. Continuation of the research on the human genome project and related areas will require advanced knowledge of cell and molecular biology.

The proposed program is designed to meet the challenges of the biotechnology and biomedical revolution by providing students the range of skills in the disciplines of cell, molecular, and developmental biology that will prepare them to become leaders of research and development efforts in biotechnology industries, academic institutions, and biomedical research facilities throughout Texas and the nation.

Program Description

The proposed program consists of 90 semester credit hours beyond the bachelor's level. The primary objective of the proposed program is to provide students with advanced academic and research training in all aspects of cellular function, especially those that pertain to molecular functioning of biochemical systems. Areas of emphasis of the program include biochemistry, cellular biology, molecular biology, developmental biology, immunology, virology, and molecular genetics.

One of the unique features of the program is the opportunity students will have for interdisciplinary study with the Departments of Computer Science and the College of Engineering. In addition, faculty and students will have the opportunity to engage in collaborative research efforts with U. T. Health Science Center - San Antonio and other biomedical and biotechnology research institutes and industries in San Antonio.

Program Quality

The U. T. San Antonio Department of Biology currently has 27 tenured or tenure-track faculty members. Nineteen of these faculty members will form the core faculty for this program. The Biology faculty has a consistent record of scholarly accomplishment and research activity.

Program Cost

Estimated expenditures of \$2,250,000 for the first five years of the program include \$1,800,000 for direct student support, \$125,000 for program administration, \$200,000 for staff support, and \$125,000 for library resources. State formula funding will provide \$2,360,402 in years three through five. In addition, the institution will commit \$789,598 of existing resources to support the program.

7. U. T. San Antonio: Request for Authorization to Establish a Ph.D. in Environmental Science and Engineering and to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Ph.D. in Environmental Science and Engineering at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed doctoral degree program is consistent with the approved Table of Programs and institutional plans of U. T. San Antonio for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

The growth in the need for Ph.D.-trained environmental scientists and engineers is unequivocal. The National Science Board, the steering body that develops priorities for the National Science Foundation, has identified environmental education and research as one of the three top priorities for the first decade of the 21st Century.

The proposed program in environmental science and engineering is designed to meet the environmental challenges of the coming decades, both through training environmental scientists and engineers and through research that will have global, national, and regional implications.

Program Description

Students must have a master's degree to be admitted to the proposed program. The program consists of 60 semester credit hours beyond the master's level. The primary emphasis will be on natural resources, including water, land, and air resources. Within these broad areas, special emphasis will be given to water quality, water pollution control, land conservation and restoration, waste disposal, air pollution control, and global changes.

Program Quality

The U. T. San Antonio Department of Earth and Environmental Science currently has 11 faculty members that will be involved in the proposed program. The Civil and Environmental Engineering Department currently has eight faculty members and three faculty members from the Departments of Biology and Chemistry will also be involved with the program. The faculty from these departments have an excellent record of scholarship and research.

Program Cost

Estimated expenditures of \$4,270,000 for the first five years of the program include \$2,400,000 for direct student support, \$645,000 for two new faculty, \$485,000 for staff support, \$220,000 for library and information technology resources, and \$300,000 for equipment. State formula funding projected for years three through five of the program is expected to total \$2,074,580. U. T. San Antonio will commit \$1,246,000 of existing resources for the first two years of the program and an additional \$1,083,393 of institutional and federal funds for years three through five.

8. U. T. San Antonio - University Center Expansion Phase III: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project

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. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the University

Center Expansion Phase III project at U. T. San Antonio at a preliminary project cost of \$20,000,000 with funding from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

U. T. San Antonio requests approval to add a new project to the Capital Improvement Program entitled University Center Expansion Phase III. This addition of approximately 68,000 gross square feet will consist of facilities to include meeting rooms, food services and dining facilities, student advising and administrative offices, program and reception space for student organizations including a large function venue, student lounges, study spaces, art gallery, and storage/support areas. This facility is needed to provide essential student services to keep pace with record enrollment growth. The first and second phases of the University Center Expansion were completed in 1986 and 1996.

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

1. U. T. System: Recommendation for Approval of Overall Increase in the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2002, and Return a Portion of Excess Plan Reserves to Participating U. T. System Health Components

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the premium rates for The University of Texas System Professional Medical Liability Benefit Plan ("Plan") be increased by an average of 12.5% for U. T. System faculty physicians and 4% for resident physicians effective September 1, 2002. It is proposed that 50% of the premium be based on physician head count and the remaining 50% be based on the actuarially determined experience of each U. T. System health component over the life of the Plan, and that the revised experience factor be phased in over a two-year period. The current and recommended premium rates are set forth below.

It is further recommended that an actuarially determined portion of excess reserves from the Plan be returned to the participating U. T. System components.

RISK CLASS 1

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,004	\$ 1,080	\$ 1,985	\$ 997	-0.9%	-7.7%
UTSMCDAL	1,800	972	1,833	920	1.8%	-5.3%
UTMB	2,532	1,368	2,705	1,357	6.8%	-0.8%
UTHSCHOU	2,208	1,200	2,440	1,226	10.5%	2.2%
UTHSCSA	2,148	1,164	2,201	1,107	2.5%	-4.9%
UTHCTY	2,304	1,248	2,441	1,226	5.9%	-1.8%

RISK CLASS 2

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,508	\$ 1,356	\$ 3,107	\$ 1,561	23.9%	15.1%
UTSMCDAL	2,256	1,224	2,868	1,440	27.1%	17.7%
UTMB	3,168	1,716	4,234	2,123	33.6%	23.7%
UTHSCHOU	2,760	1,500	3,819	1,918	38.4%	27.9%
UTHSCSA	2,688	1,452	3,445	1,733	28.2%	19.3%
UTHCTY	2,880	1,560	3,820	1,919	32.6%	23.0%

RISK CLASS 3

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 4,008	\$ 2,172	\$ 4,963	\$ 2,493	23.8%	14.8%
UTSMCDAL	3,600	1,956	4,582	2,301	27.3%	17.6%
UTMB	5,064	2,748	6,783	3,392	33.9%	23.4%
UTHSCHOU	4,416	2,388	6,101	3,064	38.2%	28.3%
UTHSCSA	4,296	2,328	5,503	2,768	28.1%	18.9%
UTHCTY	4,608	2,496	6,102	3,065	32.4%	22.8%

RISK CLASS 4

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 9,324	\$ 5,052	\$ 9,232	\$ 4,637	-1.0%	-8.2%
UTSMCDAL	8,376	4,536	8,522	4,280	1.7%	-5.6%
UTMB	11,772	6,384	12,579	6,309	6.9%	-1.2%
UTHSCHOU	10,272	5,568	11,348	5,700	10.5%	2.4%
UTHSCSA	9,984	5,412	10,235	5,149	2.5%	-4.9%
UTHCTY	10,716	5,808	11,349	5,701	5.9%	-1.8%

RISK CLASS 5

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$13,032	\$ 7,056	\$13,600	\$ 6,831	4.4%	-3.2%
UTSMCDAL	11,700	6,336	12,554	6,304	7.3%	-0.5%
UTMB	16,464	8,916	18,531	9,294	12.6%	4.2%
UTHSCHOU	14,352	7,776	16,717	8,397	16.5%	8.0%
UTHSCSA	13,968	7,572	15,078	7,585	7.9%	0.2%
UTHCTY	14,976	8,124	16,718	8,398	11.6%	3.4%

BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain medical staff and medical students of the U. T. System. The Plan went into effect on April 1, 1977, and is funded by the payment of premiums from the Faculty Physician Practice Plans of the component health institutions of the U. T. System.

As of August 31, 2001, there were 6,261 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. In addition, more than 3,300 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

Actuaries from Tillinghast-Tower and Perrin, the nation's largest medical liability self-insurance plan actuarial firm, have reviewed the Plan's 25-year experience and recommend experienced-based premiums related to the claims loss of each U. T. System health component. For the preceding five years, premiums have been reduced by 15%, the imputed value of Texas tort reform. Actual experience has not borne out that imputed discount. The absence of that imputed discount from this year's actuarial calculations is the reason for the increase in proposed premiums. Even with the recommended rate increase, the Plan's premium rates will still remain approximately 50% below the rate of commercial insurers for similar coverage.

The Plan has excess reserves well above the actuarially projected risks associated with the Plan, and it is also recommended that a return of \$25 million, representing a portion of such excess reserves, be returned to each participating U. T. System health component, proportionately to the premiums paid for fiscal year 2001-2002. This will be the sixth consecutive year for such partial return of Plan excess reserves.

2. U. T. Health Science Center - San Antonio - Regional Academic Health Center (RAHC) - Harlingen Medical Education Division (Project No. 402-994) and Hidalgo County Medical Research Division (Project No. 402-996); and U. T. Health Science Center - Houston - RAHC - Brownsville Public Health Division (Project No. 702-995): Request to Redesignate the Names of the Divisions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Cigarroa that approval be granted to the U. T. Health Science Center - San Antonio to redesignate the Harlingen Medical Education Division of the Regional Academic Health Center (RAHC) as the Medical Education Division and to redesignate the Hidalgo County Medical Research Division of the RAHC as the Medical Research Division.

The Chancellor also concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Willerson that approval be granted to U. T. Health Science Center - Houston to redesignate the Brownsville Public Health Division of the RAHC as the Public Health Division.

BACKGROUND INFORMATION

The Lower Rio Grande Valley Regional Academic Health Center (RAHC) was established by the U. T. Board of Regents on November 11, 1998, and funding for the divisions was approved on May 13, 1999. The McAllen portion of the RAHC, also established in 1998, was not implemented because of lack of anticipated funding by the City of McAllen.

The proposed name changes of the three RAHC divisions will eliminate the redundancy of having the locations included in the division names and will illustrate that the RAHC is a resource for the entire Rio Grande Valley and is not limited to a specific community. Approval of the revised names for the divisions will initiate revised non-honorific building/project names and conforming amendments to the FY 2002-2007 Capital Improvement Program and FY 2002-2003 Capital Budget.

As suggested by Regent Krier during the Health Affairs Committee meeting on July 2, 2002, signage for all divisions of the RAHC will also include The University of Texas name.

1. U. T. System - Ashbel Smith/Colorado Building Fire Protection Systems (Project No. 101-150): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Ashbel Smith/Colorado Building Fire Protection Systems project at U. T. System at a preliminary project cost of \$3,180,000 with funding of \$1,892,000 from Available University Funds and \$1,288,000 from Library, Equipment, Repair and Rehabilitation (LERR).

BACKGROUND INFORMATION

The project is necessary to provide enhanced fire and life safety protection in Ashbel Smith Hall and the Colorado Building within the U. T. System Complex. The work includes installation of fire sprinklers in both buildings, replacement of the fire escape for the Colorado Building, and installation of emergency generators to provide power for fire pumps charging the sprinkler system.

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

2. U. T. Arlington - Continuing Education and Workforce Development Center (Project No. 301-118): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost; Appropriation of Additional Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to approve an increase in the total project cost for the Continuing Education and Workforce Development Center project at U. T. Arlington from \$8,584,000 to \$9,784,000
- b. Appropriate and authorize expenditure of \$1,200,000 from Revenue Financing System Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 81, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Arlington, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$1,200,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The Continuing Education and Workforce Development Center project at U. T. Arlington is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$8,584,400 with funding of \$7,084,000 from Revenue Financing System Bond Proceeds and \$1,500,400 from Gifts and Grants.

In May 2002, the U. T. Board of Regents approved the design development plans, total project cost, alternative energy economic feasibility, and appropriated and authorized expenditure of \$7,084,000 from Revenue Financing System Bond Proceeds and \$1,500,400 from Gifts and Grants. Since that time, the total Gifts and Grants has been rounded down to \$1,500,000 with approval of the institution.

U. T. Arlington has requested that the total project cost be increased by \$1,200,000 from Revenue Financing System Bond Proceeds to \$9,784,000 to fund the upgrade of the mechanical system from packaged rooftop air conditioning units with electric cooling and gas heating to water-cooled water chillers with a remote water cooling tower and gas-fired water heating boilers.

The \$7,084,000 of Revenue Financing System debt is to be repaid from net revenues from U. T. Arlington's Continuing Education and Workforce Development Center. The additional \$1,200,000 of Revenue Financing System debt will be repaid from U. T. Arlington's designated tuition funds. Total debt service during construction is projected to be \$289,940. Once the project is completed, total annual debt service is projected to be \$693,200. The debt service coverage for the Revenue Bonds is reflected on Page 82.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Continuing Education and Workforce Development Center at U. T. Arlington, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

The University of Texas at Arlington
Continuing Education and
Workforce Development Center

Project Level (Actual \$)	Actual			Forecast					
	FY.99	FY.00	FY.01	FY.02	FY.03	FY.04	FY.05	FY.06	FY.07
Beginning Fund Balance									
Revenues				-	-	750,765	1,001,020	1,031,050	1,061,980
Expenses				-	-	(255,750)	(351,080)	(361,714)	(372,670)
Net Operating Income						495,015	649,940	669,336	689,310
Debt Service					(289,940)	(693,200)	(693,200)	(693,200)	(693,200)
Transfers from Designated Funds					289,940	198,185	43,260	23,864	3,890
Net Increase/Decrease for Year					-	-	0	(0)	(0)
Ending Fund Balance					-	-	0	0	0
Debt Service Coverage					1.00	1.00	1.00	1.00	1.00

Campus Level: (\$ in millions)	Actual			Forecast					
	FY.99	FY.00	FY.01	FY.02	FY.03	FY.04	FY.05	FY.06	FY.07
Beginning Fund Balance	29.4	28.6	33.0	28.6	33.3	45.1	55.3	66.0	79.1
Total Current Unrestricted Revenues	165.0	180.8	194.2	206.7	222.2	228.8	235.5	243.0	248.6
Total Current Unrestricted Expenditures	(152.5)	(165.5)	(179.1)	(188.9)	(196.0)	(203.4)	(209.9)	(216.1)	(222.5)
Net Revenues	12.5	15.3	15.2	17.8	26.2	25.4	25.6	26.8	26.1
Debt Service	(6.8)	(9.4)	(10.7)	(11.0)	(12.2)	(13.1)	(12.7)	(11.4)	(11.0)
Other Mandatory Transfers	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mandatory Transfers	(8.8)	(9.4)	(10.7)	(11.0)	(12.2)	(13.1)	(12.7)	(11.5)	(11.0)
Nonmandatory Transfers	(3.7)	(0.7)	(7.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Adjustments	(0.8)	(0.7)	(1.3)	(1.4)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)
Net Increase/(Decrease) for Year	(0.8)	4.5	(4.4)	4.7	11.8	10.1	10.7	13.1	12.8
Ending Fund Balance	28.6	33.0	28.6	33.3	45.1	55.3	66.0	79.1	91.9
Debt Service Coverage	1.42	1.63	1.41	1.61	2.14	1.94	2.01	2.34	2.38
Debt Service as % of Budget	5.5%	5.4%	5.6%	5.5%	5.9%	6.0%	5.7%	5.0%	4.7%

U. T. System (\$ in millions)	Actual			Forecast					
	FY.99	FY.00	FY.01	FY.02	FY.03	FY.04	FY.05	FY.06	FY.07
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,168.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,499.1)	(5,711.6)	(5,958.0)	(6,195.6)	(6,453.3)
Net Available for Debt Service	198.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.8)	(0.6)	(0.6)
Debt Service	(95.5)	(116.6)	(124.5)	(146.9)	(183.5)	(226.4)	(243.0)	(239.8)	(232.6)
Debt Service Coverage	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95
Debt Service as % of Budget	2.3%	2.6%	2.5%	2.7%	3.2%	3.8%	3.9%	3.7%	3.5%

3. U. T. Arlington - Fine Arts Annex (Project No. 301-119): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that the U. T. Board of Regents:

- a. Approve design development plans for the Fine Arts Annex project at U. T. Arlington
- b. Approve the evaluation of alternative energy economic feasibility
- c. Approve total project cost of \$5,000,000
- d. Appropriate funds and authorize expenditure of \$5,000,000 from Revenue Financing System Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 86, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Arlington, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$5,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The Fine Arts Annex project at U. T. Arlington is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$5,000,000 with funding from Revenue Financing System Bond Proceeds.

A new, pre-engineered metal building will contain approximately 34,000 gross square feet to house all six of the Art Department industrial arts programs and allow for the expansion of classroom lab operations; space for offices, tools, and storage; and reduce the impact on indoor air quality of the building.

The \$5,000,000 of Revenue Financing System debt will be repaid from U. T. Arlington’s designated tuition funds. Debt service during construction is projected to be \$175,000. Once the project is completed, annual debt service is projected to be \$418,397. The debt service coverage for the Revenue Bonds is reflected on Page 87.

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

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Fine Arts Annex at U. T. Arlington, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

U. T. Arlington - Fine Arts Annex

	Actual			Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Designated Tuition Budget: (Actual \$)									
Beginning Balance	6,198,199	7,101,120	5,334,207	4,481,906	5,849,620	7,857,207	9,961,469	14,659,388	21,843,885
Designated Tuition Fee Receipts	17,738,024	17,320,217	18,581,900	21,065,562	22,289,371	23,535,549	24,804,422	26,096,319	26,884,428
New Debt Service	(5,383,939)	(5,490,584)	(6,774,096)	(4,905,166)	(5,387,065)	(6,015,114)	(4,586,243)	(3,286,432)	(2,796,711)
Mandatory Transfers	(11,451,164)	(13,596,546)	(12,660,105)	(14,792,682)	(14,884,719)	(14,997,776)	(15,101,864)	(15,206,983)	(15,313,173)
Net Increase/Decrease for Year	902,921	(1,766,913)	(852,301)	1,367,714	2,007,587	2,104,262	4,697,918	7,184,497	8,356,147
Ending Fund Balance	7,101,120	5,334,207	4,481,906	5,849,620	7,857,207	9,961,469	14,659,388	21,843,885	30,200,032
Debt Service Coverage	3.29	3.15	2.74	4.29	4.14	3.66	4.96	7.04	8.36

	Actual			Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Campus Level: (\$ in millions)									
Beg. Fund Balance	29.4	28.7	33.1	28.8	33.5	45.3	55.4	66.1	79.2
Total Current Unrestricted Revenues	165.0	180.8	194.2	206.7	222.2	228.8	235.5	243.0	248.6
Total Current Unrestricted Expenditures	(152.5)	(165.5)	(179.1)	(188.9)	(196.0)	(203.4)	(209.8)	(216.1)	(222.5)
Net Revenues	12.5	15.3	15.2	17.8	26.2	25.4	25.6	26.8	26.1
Debt Service	(8.8)	(9.4)	(10.7)	(11.0)	(12.2)	(13.1)	(12.7)	(11.4)	(11.0)
Other Mandatory Transfers	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mandatory Transfers	(8.8)	(9.4)	(10.7)	(11.0)	(12.2)	(13.1)	(12.7)	(11.5)	(11.0)
Nonmandatory Transfers	(3.7)	(0.7)	(7.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Adjustments	(0.8)	(0.7)	(1.3)	(1.4)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)
Net Increase/Decrease for Year	(0.9)	4.5	(4.4)	4.7	11.8	10.1	10.7	13.1	12.8
End. Fund Balance	28.7	33.1	28.8	33.5	45.3	55.4	66.1	79.2	92.0
Debt Service Coverage	1.42	1.63	1.42	1.61	2.14	1.94	2.01	2.34	2.38
Debt Service as % of Budget	5.5%	5.4%	5.6%	5.5%	5.9%	6.0%	5.7%	5.0%	4.7%

	Actual			Forecast					
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
U.T. System (\$ in millions)									
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,166.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,499.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)
Net Available for Debt Service	196.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt Service	(95.5)	(116.6)	(124.5)	(146.9)	(183.5)	(226.4)	(243.0)	(239.8)	(232.6)
Debt Service Coverage	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95
Debt Service as % of Budget	2.3%	2.6%	2.5%	2.7%	3.2%	3.8%	3.9%	3.7%	3.5%

4. U. T. Arlington - Science Building - Phase I (Project No. 301-117): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to approve an increase in the total project cost for the Science Building - Phase I project at U. T. Arlington from \$29,635,945 to \$34,635,945 with funding of \$5,000,000 from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

The Science Building - Phase I project at U. T. Arlington is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$29,635,945 with funding of \$16,635,945 from Tuition Revenue Bond Proceeds and \$13,000,000 from Permanent University Fund Bond Proceeds.

U. T. Arlington has requested a funding increase of \$5,000,000 from Revenue Financing System Bond Proceeds to support the facility program that includes replacing mechanical, electrical, and plumbing systems, fixed equipment, hood systems, lab tables, and other lab accessories. The overall building square footage has been reduced to accommodate the increased budget, but cannot be reduced any further without adversely affecting the teaching and research mission of the College of Science.

Under delegated authority, the Chancellor has approved the non-honorary renaming of the project as the Chemistry and Physics Building.

5. U. T. Austin - Biological Science - Wet Lab Building (Project No. 102-029): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost; and Appropriation of Additional Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to approve an increase in the total project cost for the Biological Science - Wet Lab Building project at U. T. Austin from \$52,000,000 to \$60,000,000
- b. Appropriate and authorize expenditure of \$8,000,000 from Designated Tuition.

BACKGROUND INFORMATION

The Biological Science - Wet Lab Building project at U. T. Austin is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$52,000,000 with funding of \$39,000,000 from Permanent University Fund Bond Proceeds and \$13,000,000 from Designated Tuition.

U. T. Austin has requested that the total project cost be increased to \$60,000,000 to fund the finish out and furnishing of shell floors in the building. Additional funding of \$8,000,000 will be allocated from Designated Tuition.

6. U. T. El Paso - Academic Services Building (Project No. 201-025): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. Board of Regents:

- a. Approve design development plans for the Academic Services Building project at U. T. El Paso
- b. Approve the evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$10,000,000
- d. Appropriate funds and authorize expenditure of \$10,000,000 from Permanent University Fund Bond Proceeds.

BACKGROUND INFORMATION

The Academic Services Building project at U. T. El Paso is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$10,000,000 with funding from Permanent University Fund Bond Proceeds.

The new building will consist of approximately 46,000 gross square feet to provide for administrative offices and classroom/meeting rooms for all enrollment, advising, and retention activities of the University.

The existing Academic Services Building was built in 1978 to house library collections. The Building's 29,513 gross square feet were converted to administrative space in 1987 and now house the Office of the Registrar, Admissions and Evaluations, the Bursar's Office, and some student orientation and advising activities. The new building will provide the additional space needed for the Enrollment Services division, the Bursar's Office, New Student Orientation, and the Academic Advising Center.

In addition, new quarters will be created for the administrative offices of the Graduate School, Student Financial Aid, Scholarships, the Honors Program, and the Academic Center for Engineers and Scientists. The existing facility will be used to highlight student recruitment and retention; enhancement of the new, entering student program initiatives; and the Academic Advising Center.

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

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

7. U. T. El Paso - Biosciences Facility (Project No. 201-114): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. Board of Regents:

- a. Approve design development plans for the Biosciences Facility project at U. T. El Paso
- b. Approve the evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$25,000,000
- d. Appropriate funds and authorize expenditure of \$6,500,000 from Permanent University Fund Bond Proceeds, \$5,750,000 in Revenue Financing System Bond Proceeds, and \$12,750,000 in Tuition Revenue Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 95, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. El Paso, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$5,750,000
- d. U. T. System components, 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$12,750,000
- e. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The Biosciences Facility project at U. T. El Paso is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$25,000,000, with funding of \$6,500,000 from Permanent University Fund Bond Proceeds, \$5,750,000 in Revenue Financing System Bond Proceeds, and \$12,750,000 in Tuition Revenue Bond Proceeds.

The project will construct a new, five-story facility that will contain approximately 84,000 square feet and includes the site development and the extension of site utilities from their existing locations on the campus. The building will include areas of shell space that will eventually be converted into laboratory, support facilities, and office spaces.

This project will showcase the research activities of the Department of Biological Sciences and provide state-of-the-art space for research activities. The space will be dedicated to laboratories, animal facilities that will include a vivarium and aquatic facility, a bio-safety level 3 (BSL-3) laboratory, necessary support facilities and offices, and offices for the Border Biomedical Research Institute.

The total Revenue Financing System debt requested on the Biosciences Facility project is \$18,500,000, of which \$5,750,000 will be repaid from the local funds of U. T. El Paso. The remaining \$12,750,000 will be issued as Tuition Revenue Bonds as authorized by the 77th Session of the Texas Legislature for the construction of a biomedical and health sciences research center on the main campus. Debt service on \$5,750,000 during construction is projected to be \$129,375. Once the project is completed, annual debt service on \$5,750,000 is projected to be \$501,311. The debt service coverage for the Revenue Bonds is reflected on Page 96. The debt service coverage for authorized Tuition Revenue Bonds is reflected on Page 97.

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

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Biosciences Facility at U. T. El Paso, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

**The University of Texas at El Paso
BioSciences Facility**

Campus Level: (\$ in millions)	Actual			Forecast					
	FY99	FY00	FY01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Beginning Fund Balance	0.0	0.5	4.7	9.0	11.2	17.1	24.0	24.0	31.7
Total Current Unrestricted Revenues	129.5	151.2	151.2	154.0	171.7	176.4	180.5	184.6	188.9
Total Current Unrestricted Expenditures	(120.2)	(136.4)	(136.4)	(141.5)	(152.6)	(155.7)	(158.8)	(162.0)	(165.2)
Net Revenues	9.3	14.8	14.8	12.5	19.1	20.7	21.6	22.7	23.7
Debt Service	(4.7)	(5.6)	(5.6)	(8.1)	(10.8)	(11.5)	(11.5)	(11.5)	(11.1)
Other Mandatory Transfers	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mandatory Transfers	(5.6)	(7.8)	(7.8)	(8.1)	(10.8)	(11.5)	(11.6)	(11.5)	(11.2)
Nonmandatory Transfers	(3.1)	(2.6)	(2.6)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)
Adjustments	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Increase/(Decrease) for Year	0.4	4.2	4.2	2.2	6.0	6.9	7.7	6.8	10.1
Ending Fund Balance	0.5	4.7	9.0	11.2	17.1	24.0	31.7	32.8	41.8
Debt Service Coverage	1.7	1.9	1.9	1.5	1.8	1.8	1.9	2.0	2.1
Debt Service as a % of Budget	4.3%	5.3%	5.3%	5.4%	6.6%	6.9%	6.8%	6.6%	6.3%

U. T. System (\$ in millions)	Actual			Forecast					
	FY99	FY00	FY01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Available Revenues	4,383.1	4,967.8	5,247.0	5,569.5	5,886.0	6,188.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,166.5)	(4,562.1)	(4,948.2)	(5,228.6)	(5,499.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)
Net Available for Debt Service	196.6	405.5	297.6	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt Service	(95.5)	(116.8)	(124.5)	(146.9)	(183.5)	(226.4)	(243.0)	(238.8)	(232.6)
Debt Service Coverage	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95
Debt Service as a % of Budget	2.3%	2.6%	2.5%	2.7%	3.2%	3.8%	3.9%	3.7%	3.5%

Office of Finance July 2002

**The University of Texas System
Revenue Financing System
Debt Service Coverage
(\$ in millions)**

As of July 1, 2002:	Actual			Forecast					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,186.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,499.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)
Net Revenues Available for Debt Service	196.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt Service:									
Non - Tuition Related	(66.5)	(76.3)	(83.3)	(105.5)	(125.5)	(175.5)	(190.3)	(184.8)	(178.0)
Tuition Related	(29.0)	(40.2)	(41.2)	(41.3)	(57.9)	(50.7)	(52.5)	(55.0)	(54.6)
Total Debt Service	(95.5)	(116.5)	(124.5)	(146.9)	(183.5)	(226.2)	(242.7)	(239.8)	(232.6)
Debt Service Coverage Without Tuition Bonds (x)	2.92	5.27	3.54	2.82	2.61	2.31	2.40	3.07	3.55
Debt Service Coverage With Tuition Bonds (x)	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95

Office of Finance July 2002

8. U. T. Pan American - Administrative Offices Renovation (Project No. 901-050): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Revise the Source of Funds; Reduction of Appropriation and Expenditure of Funds; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Nevárez that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to revise the source of funds for the Administrative Offices Renovation project at U. T. Pan American from \$2,262,000 in Unexpended Plant Funds, \$2,500,000 in Higher Education Funds, and \$275,000 in Tuition Revenue Bond Proceeds to \$2,262,000 in Unexpended Plant Funds, \$1,282,000 in Higher Education Funds, and \$1,493,000 in Tuition Revenue Bond Proceeds
- b. Reduce appropriation and expenditure to \$1,218,000 from Higher Education Funds
- c. Appropriate funds and authorize expenditure of \$1,218,000 from Tuition Revenue Bond Proceeds.

BACKGROUND INFORMATION

The Administrative Offices Renovation project at U. T. Pan American is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$5,037,000 with funding of \$2,262,000 from Unexpended Plant Funds, \$2,500,000 in Higher Education Funds, and \$275,000 in Tuition Revenue Bond Proceeds.

At the June 6, 2002 Campus Planning Committee meeting of the Texas Higher Education Coordinating Board, Committee members agreed that the wording in House Bill 658 (Tuition Revenue Bond allocation bill) stipulates that unused Tuition Revenue Bonds may be used for other renovation projects. The Committee determined that the Campus Entrance/Visitors' Center project is a combination of renovation and new construction. Therefore, Higher Education Funds in the amount of \$1,218,000 from the Administrative Offices Renovation project will be substituted for the Tuition Revenue Bond Proceeds in the amount of \$1,218,000 for the value of the new construction. (See Item 9 on Page 100.)

In February 2001, the U. T. Board of Regents authorized institutional management for this project.

9. U. T. Pan American - Campus Entrance/Visitors' Center (Project No. 901-146): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Revise the Source of Funds; Reduction of Appropriation and Expenditure of Funds; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Nevárez that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to revise the source of funds for the Campus Entrance/Visitors' Center project at U. T. Pan American from \$3,325,000 in Tuition Revenue Bond Proceeds to \$2,107,000 in Tuition Revenue Bond Proceeds and \$1,218,000 in Higher Education Funds
- b. Reduce appropriation of expenditure to \$2,107,000 from Tuition Revenue Bond Proceeds
- c. Appropriate funds and authorize expenditure of \$1,218,000 in Higher Education Funds.

BACKGROUND INFORMATION

The Campus Entrance/Visitors' Center project at U. T. Pan American is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$3,325,000 with funding from Tuition Revenue Bond Proceeds.

At the June 6, 2002 Campus Planning Committee meeting of the Texas Higher Education Coordinating Board, Committee members agreed that the wording in House Bill 658 (Tuition Revenue Bond allocation bill) stipulates that unused Tuition Revenue Bonds may be used for other renovation projects. The Committee determined that the Campus Entrance/Visitors' Center project is a combination of renovation and new construction. Therefore, Higher Education Funds in the amount of \$1,218,000 from the Administrative Offices Renovation project will be substituted for the Tuition Revenue Bond Proceeds in the amount of \$1,218,000 for the value of the new construction. (See Item 8 on Page 98.)

In May 2000, the U. T. Board of Regents authorized institutional management for this project that will be completed in several phases.

10. U. T. San Antonio - Student Housing Expansion - Phase I (Project No. 401-139): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

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. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to increase the total project cost for the Student Housing Expansion - Phase I project at U. T. San Antonio from \$16,200,000 to \$19,000,000 with additional funding of \$2,800,000 from Revenue Financing System Bond Proceeds
- b. Appropriate funding and authorize expenditure of \$2,800,000 from Revenue Financing System Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 104, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$2,800,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The Student Housing Expansion - Phase I project at U. T. San Antonio is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$12,000,000 with funding from Revenue Financing System Bond Proceeds. In May 2002, design development plans were approved and the total project cost was increased to \$16,200,000 with funding from Revenue Financing System Bond Proceeds.

U. T. San Antonio has requested that the total project cost be increased from \$16,200,000 to \$19,000,000 to fund the required mechanical systems needed to

support life-safety in the housing units. The apartment complex will consist of 142,314 gross square feet, capable of housing 500 students, with private bedrooms for single person occupancy, common rest rooms, vanity sinks located outside of the common rest room areas, kitchen facilities, and shared living space in the commons building.

The \$19,000,000 in debt is to be repaid from net revenue generated from the new and existing housing operations. Total debt service during construction is projected to be \$1,045,000. Once the project is completed, total annual debt service is projected to be \$1,307,302. The financing forecast for this project is set forth on Page 105.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Student Housing Expansion - Phase I at U. T. San Antonio, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

The University of Texas at San Antonio
Student Housing Expansion Phase I

Project Level (Actual \$)	Actual			Forecast					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Beginning Fund Balance	-	-	-	-	-	2,269,000	2,377,450	2,491,323	2,610,889
Revenues	-	-	-	-	-	(575,758)	(658,388)	(726,724)	(795,794)
Expenses	-	-	-	-	-	1,893,242	1,718,062	1,764,599	1,815,095
Net Operating Income	-	-	-	-	(665,000)	(1,045,000)	(1,307,302)	(1,307,302)	(1,307,302)
Debt Service	-	-	-	-	665,000	(168,070)	(311,324)	(314,740)	(318,327)
Nonmandatory Transfers	-	-	-	-	-	480,172	100,436	142,557	189,466
Net Increase/Decrease for Year	-	-	-	-	-	480,172	580,608	723,184	912,630
Ending Fund Balance	-	-	-	-	1.00	1.62	1.31	1.35	1.39
Debt Service Coverage	-	-	-	-	-	-	-	-	-

Campus Level: (\$ in millions)

	Actual			Forecast					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Beginning Fund Balance	22.6	26.0	28.3	29.9	31.0	29.8	26.8	26.9	25.7
Total Current Unrestricted Revenues	120.1	140.4	147.6	166.5	176.9	188.3	197.8	206.6	214.4
Total Current Unrestricted Expenditures	(106.7)	(117.8)	(131.5)	(145.7)	(158.0)	(167.3)	(176.2)	(184.1)	(192.9)
Net Revenues	13.4	22.6	16.1	20.7	18.9	21.0	21.6	22.5	21.4
Debt Service	(7.8)	(10.6)	(11.2)	(11.7)	(13.6)	(15.5)	(14.7)	(15.6)	(15.5)
Other Mandatory Transfers	(0.0)	(0.0)	(0.0)	(0.1)	0.1	0.1	0.1	0.1	0.1
Total Mandatory Transfers	(7.9)	(10.6)	(11.3)	(11.8)	(13.5)	(15.3)	(14.6)	(15.5)	(15.4)
Nonmandatory Transfers	(1.9)	(9.6)	(2.9)	(7.4)	(6.3)	(8.2)	(6.5)	(7.8)	(6.9)
Adjustments	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net Increase/(Decrease) for Year	3.5	2.2	1.6	1.1	(1.2)	(3.0)	0.1	(1.2)	(1.2)
Ending Fund Balance	26.0	28.3	29.9	31.0	29.8	26.8	26.9	25.7	24.5
Debt Service Coverage	1.70	2.13	1.43	1.75	1.40	1.37	1.48	1.45	1.39
Debt Service as % of Budget	6.8%	8.2%	7.9%	7.5%	7.9%	8.5%	7.7%	7.8%	7.4%

U. T. System (\$ in millions)

	Actual			Forecast					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,168.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,498.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)
Net Available for Debt Service	196.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt Service	(95.5)	(116.6)	(124.5)	(146.9)	(183.5)	(226.4)	(243.0)	(239.8)	(232.6)
Debt Service Coverage	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95
Debt Service as % of Budget	2.3%	2.6%	2.5%	2.7%	3.2%	3.8%	3.9%	3.7%	3.5%

11. U. T. Tyler - Student Health and Kinesiology Building (Project No. 802-019) and Nursing Building (Project No. 802-074): Request for Approval to Name Facilities [Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1 (Naming of Facilities and Other Entities)]

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the honorific naming of three major facilities within the Student Health and Kinesiology Building construction project (to be known as the Patriot Center) at U. T. Tyler as follows:

- a. Name the Health and Kinesiology academic wing as the Jean Lancaster Health and Kinesiology Wing
- b. Name the convocation center/gymnasium as the Maytee Fisch Convocation Center
- c. Name the recreation and therapy pool as the Jim and Bonna Bess Vaughn Recreation and Therapy Pool.

It is also recommended that the U. T. Board of Regents name the Nursing Building construction project as the David G. and Jacqueline M. Braithwaite Building.

BACKGROUND INFORMATION

Two construction projects for the Student Health and Kinesiology Building and the Nursing Building at U. T. Tyler are underway. Under delegated authority, the Chancellor has approved the non-honorific naming of the Student Health and Kinesiology Building as the Patriot Center.

U. T. Tyler requests approval of honorific namings consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1 (Naming of Facilities and Other Entities) for major facilities and less prominent facilities and institutional guidelines on the naming of facilities as follows:

- a. The Jean Lancaster Health and Kinesiology Wing would be named in honor of the sister of the anonymous donor
- b. The naming of the Maytee Fisch Convocation Center is proposed in honor of Ben and Maytee Fisch who pledged \$2,000,000 toward the convocation center/gymnasium
- c. The Jim and Bonna Bess Vaughn Recreation and Therapy Pool would be named in honor of the Vaughns' contribution of \$800,000 to fund the entire cost of construction of the recreation and therapy pool.

The honorific naming of the Nursing Building as the David G. and Jacqueline M. Braithwaite Building that will house the College of Nursing and Health Sciences is in honor of Mrs. Jacqueline Braithwaite's pledge of \$2,500,000 toward the Nursing Building.

12. U. T. Southwestern Medical Center - Dallas - Student Housing (Project No. 303-013) and Southwestern Medical Park Apartments: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Combine Projects as the Southwestern Medical Park Apartments; and Approval to Increase Total Project Cost

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents:

- a. Approve combining the Student Housing and Southwestern Medical Park Apartments projects at U. T. Southwestern Medical Center - Dallas into one project as the Southwestern Medical Park Apartments project
- b. Approve a revised total project cost from \$10,500,000 to \$19,250,000 with additional funds of \$8,750,000 to be appropriated from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

The Student Housing project at U. T. Southwestern Medical Center - Dallas was originally approved at the August 2000 U. T. Board of Regents' meeting with funding of \$10,500,000 from Revenue Financing System Bond Proceeds. The project was included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget.

A second phase of the student housing project entitled Southwestern Medical Park Apartments is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$8,750,000 with funding from Revenue Financing System Bond Proceeds.

U. T. Southwestern Medical Center - Dallas has requested combining the projects to consolidate design aspects of the housing complex. The project will consist of 144 apartment units and will be brought before the U. T. Board of Regents' Facilities Planning and Construction Committee for design approval prior to the bidding process.

13. U. T. Health Science Center - Houston - Indoor Air Quality at the Medical School (Project No. 701-946): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Revise the Source of Funds; Approval of Reduction of Appropriation and Expenditure of Funds; and Appropriation and Expenditure of Funds

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Willerson that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to revise the source of funds for the Indoor Air Quality at the Medical School project at U. T. Health Science Center - Houston at a total project cost of \$16,200,000 with funding of \$12,600,000 from Permanent University Fund Bond Proceeds and \$3,600,000 from Hospital Revenues to \$13,304,541 from Permanent University Fund Bond Proceeds and \$2,895,459 from Hospital Revenues
- b. Reduce appropriation and expenditure of \$704,541 from Hospital Revenues
- c. Appropriate funds and authorize expenditure of \$704,541 in Permanent University Fund Bond Proceeds transferred from the Medical School Building/Limestone Cladding Repairs project (Project No. 701-968).

BACKGROUND INFORMATION

The Indoor Air Quality at the Medical School project at U. T. Health Science Center - Houston is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a total project cost of \$16,200,000 with funding of \$12,600,000 from Permanent University Fund Bond Proceeds and \$3,600,000 from Hospital Revenues.

U. T. Health Science Center - Houston has requested that funding of \$704,541 from Permanent University Fund Bond Proceeds be transferred from the Medical School Building/Limestone Cladding Repairs project (Project No. 701-968) and that the appropriation from Hospital Revenues be reduced.

The project is under construction and consists of installation of a laboratory exhaust manifold; ductwork cleaning; installation of new heating, venting, and air conditioning components in laboratory areas; and purchase of laboratory heating, venting, and air conditioning control systems.

14. U. T. Health Science Center - Houston - Mental Sciences Institute - Replacement Facility, Phase I (Project No. 701-040): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Willerson that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to increase the total project cost for the Mental Sciences Institute - Replacement Facility, Phase I at U. T. Health Science Center - Houston from \$16,500,000 to \$22,500,000 with funding of \$6,000,000 from Hospital Revenues.

BACKGROUND INFORMATION

The Mental Sciences Institute - Replacement Facility, Phase I project at U. T. Health Science Center - Houston is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$16,500,000 with funding from Unexpended Plant Funds.

The project will construct an 87,000 gross square foot facility that includes clinics, offices, wet labs, and teaching space. U. T. Health Science Center - Houston has requested that the total project cost be increased from \$16,500,000 to \$22,500,000 to fund the replacement of essential functions presently located in the existing Mental Sciences Institute. The additional costs have been identified as the project finalized design and equipment needs. The requested increase of \$6,000,000 is to be funded from Hospital Revenues.

15. U. T. M. D. Anderson Cancer Center - HMB Replacement Facility (Project No. 703-130): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Mendelsohn that the U. T. Board of Regents:

- a. Approve design development plans for the HMB Replacement Facility at U. T. M. D. Anderson Cancer Center
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$110,400,000
- d. Appropriate funds and authorize expenditure of \$85,000,000 from Revenue Financing System Bond Proceeds and \$25,400,000 from Hospital Revenues.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 115, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. M. D. Anderson Cancer Center, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$85,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The HMB Replacement Facility project at U. T. M. D. Anderson Cancer Center is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$110,400,000 with funding of \$85,000,000 from Revenue Financing System Bond Proceeds and \$25,400,000 from Hospital Revenues.

The construction will be south of the existing Houston Main Building and will contain approximately 355,000 gross square feet of space. The facility includes faculty and administrative offices, prevention clinics, behavioral sciences clinics, café food service, conference center, and materials management areas, including a loading dock. A bridge connects the facility to the new Ambulatory Clinical Building on levels two through eight. In addition, a basement-level service corridor will connect the HMB Replacement Facility and the Ambulatory Clinical Building to facilitate distribution of materials and equipment.

The total Revenue Financing System debt requested for the HMB Replacement Facility is \$85,000,000 and will be repaid from U. T. M. D. Anderson Cancer Center’s local funds. Debt service during construction is projected to be \$3,825,000. When the project is completed, annual debt service is projected to be \$7,410,687. The debt service coverage for the Revenue Bonds is reflected on Page 116.

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

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the HMB Replacement Facility at U. T. M. D. Anderson Cancer Center, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

The University of Texas M. D. Anderson Cancer Center
HMB Replacement Facility

Campus Level: (\$ in millions)	Actual			Forecast						
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	
Beginning Fund Balance	445.0	505.1	403.7	418.6	395.2	406.6	419.7	464.5	550.3	
Total Current Unrestricted Revenues	832.3	998.6	1,121.0	1,190.9	1,309.9	1,430.9	1,578.4	1,741.9	1,924.5	
Total Current Unrestricted Expenditures	(796.0)	(907.2)	(1,030.5)	(1,116.6)	(1,201.9)	(1,303.5)	(1,415.6)	(1,513.5)	(1,620.3)	
Net Revenues	36.3	91.4	90.5	74.3	107.9	127.5	162.7	228.4	304.2	
Debt Service	(6.9)	(8.1)	(11.4)	(21.1)	(30.2)	(48.5)	(49.0)	(49.5)	(49.5)	
Other Mandatory Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Mandatory Transfers	(6.9)	(8.1)	(11.4)	(17.6)	(25.7)	(48.1)	(50.9)	(50.0)	(48.6)	
Nonmandatory Transfers	(50.0)	(187.0)	(62.2)	(80.0)	(70.9)	(66.2)	(67.1)	(92.6)	(104.1)	
Adjustments	80.6	2.3	(2.0)	-	-	-	-	-	-	
Net Increase/(Decrease) for Year	60.1	(101.4)	14.9	(23.3)	11.4	13.1	44.8	85.8	151.5	
Ending Fund Balance	505.1	403.7	418.6	395.2	406.6	419.7	464.5	550.3	701.8	
Debt Service Coverage	5.29	11.23	7.91	4.22	4.20	2.65	3.20	4.57	6.26	
Debt Service as % of Budget	0.9%	0.9%	1.1%	1.9%	2.4%	3.6%	3.3%	3.2%	3.0%	
U. T. System (\$ in millions)										
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5	
Operating Expenses	(4,166.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,499.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)	
Net Available for Debt Service	196.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2	
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	
Debt Service	(95.5)	(116.6)	(124.5)	(146.9)	(183.5)	(226.4)	(243.0)	(239.8)	(232.6)	
Debt Service Coverage	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95	
Debt Service as % of Budget	2.3%	2.6%	2.5%	2.7%	3.2%	3.8%	3.9%	3.7%	3.5%	

16. U. T. Health Center - Tyler - Biomedical Research Wing Addition (Project No. 801-062): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Garvey that the U. T. Board of Regents:

- a. Approve design development plans for the Biomedical Research Wing Addition at U. T. Health Center - Tyler
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$11,513,250
- d. Appropriate funds and authorize expenditure of \$11,513,250 from Tuition Revenue Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 120, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. System components, 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$11,513,250
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

The Biomedical Research Wing Addition project at U. T. Health Center - Tyler is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$11,513,250 with funding from Tuition Revenue Bond Proceeds.

The project will be an addition to the existing Biomedical Research Center and will contain 30,000 gross square feet in a new, single-story research wing to support the programs for the Center for Pulmonary and Infectious Disease Control, Department of Microbiology, Department of Occupational Health Sciences, Department of Occupational and Environmental Medicine, and other research areas. The project includes additional thermal energy plant equipment, infrastructure work, surface parking, landscaping, and the purchase and installation of scientific research laboratory equipment. This addition follows the master plan originally proposed for this building in 1985.

In 2001, the 77th Session of the Texas Legislature authorized \$11,513,250 of Tuition Revenue Bonds to be issued to enable U. T. Health Center - Tyler to construct a biomedical research center addition. The debt service coverage for authorized Tuition Revenue Bonds is reflected on Page 121.

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

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Biomedical Research Wing Addition at U. T. Health Center at Tyler, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 11th day of July, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

**The University of Texas System
Revenue Financing System
Debt Service Coverage
(\$ In millions)**

	Actual			Forecast					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
As of July 1, 2002:									
Available Revenues	4,363.1	4,967.6	5,247.0	5,569.5	5,886.0	6,168.3	6,466.8	6,820.1	7,141.5
Operating Expenses	(4,166.5)	(4,562.1)	(4,949.2)	(5,228.8)	(5,499.1)	(5,711.6)	(5,956.0)	(6,195.6)	(6,453.3)
Net Revenues Available for Debt Service	196.6	405.5	297.8	340.7	387.0	456.7	510.8	624.5	688.2
Other Mandatory Transfers	(0.8)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt Service:									
Non - Tuition Related	(66.5)	(76.3)	(83.3)	(105.5)	(125.5)	(175.5)	(190.3)	(184.8)	(178.0)
Tuition Related	(29.0)	(40.2)	(41.2)	(41.3)	(57.9)	(50.7)	(52.5)	(55.0)	(54.6)
Total Debt Service	(95.5)	(116.5)	(124.5)	(146.9)	(183.5)	(226.2)	(242.7)	(239.8)	(232.6)
Debt Service Coverage Without Tuition Bonds (x)	2.92	5.27	3.54	2.82	2.61	2.31	2.40	3.07	3.55
Debt Service Coverage With Tuition Bonds (x)	2.04	3.46	2.38	2.31	2.10	2.01	2.10	2.60	2.95

Office of Finance July 2002

INFORMATIONAL REPORT

U. T. System: Quarterly Report on Historically Underutilized Business (HUB)
Expenditures for Building Construction

REPORT

Committee Chairman Clements will summarize Historically Underutilized Business (HUB) expenditures for building construction for the U. T. System.

- J. RECONVENE AS COMMITTEE OF THE WHOLE

- K. OTHER MATTERS

- 1. Report of the Board for Lease of University Lands

REPORT

The Board for Lease of University Lands met on May 16, 2002, in the 6th Floor Conference Room of the Colorado Building, 702 Colorado Street, Austin, Texas, for a general business meeting. The Regular Oil and Gas Lease Sale No. 101 bid opening was held on May 15, 2002, at the Center for Energy and Economic Diversification in Midland, Texas.

Following is a report on the result of the lease sale:

Regular Oil and Gas Lease Sale No. 101: Total bonuses received in the amount of \$1,172,332.27 for 8,938 acres (36 tracts) leased; single highest bid was \$141,129.08 (\$406.01/acre) for a 347.600-acre tract in Schleicher County; 37,666.309 acres (163 tracts) were nominated for lease. In accordance with the rules of the Board for Lease of University Lands, the bid received for Tract No. 82 was rejected because the check submitted did not meet the mandatory minimum bonus.

Following is a report on the general business meeting:

- a. Approval of the Minutes of the November 2001 meeting of the Board for Lease of University Lands

- b. Approval of lease procedures and terms for Regular Oil and Gas Lease Sale No. 102 to be held in November 2002

- c. Forfeiture of University Lease Nos. 32143, 70801, 82645, 82646, 95960, 95964, 95970, and 97353, Andrews County, Texas, effective June 15, 2002, due to lessee's failure to timely pay sums due under the leases and, additionally and

independently, due to lessee's failure to provide required lease production information. The forfeited leases will be reinstated if the lessee assigns to The University of Texas System its rights to all oil and gas produced from any forfeited lease until all sums due under all forfeited leases have been paid and brings the forfeited leases into full compliance to the satisfaction of the Executive Director of University Lands, West Texas Operations by July 16, 2002

- d. Executive Session pursuant to authority granted under Texas Government Code Section 551.071 regarding pending or contemplated litigation in relation to the forfeiture docket item
- e. Report on the management of the royalty in-kind programs including updates on the General Land Office's State Power Program.

The bids for Regular Oil and Gas Lease Sale No. 102 are scheduled to be opened at the Center for Energy and Economic Diversification in Midland, Texas, on November 19, 2002. The next regularly scheduled meeting of the Board for Lease of University Lands and lease awards is tentatively scheduled in Austin, Texas, on November 20, 2002. However, to accommodate the Board, the time, location, and date (between November 20 and November 22) of this meeting are subject to change.

2. U. T. Board of Regents: Recommendation on Santa Rita Award

RECOMMENDATION

Chairman Charles Miller will make a recommendation on selection of a recipient for the Santa Rita Award.

3. U. T. Board of Regents: Presentation of Certificate of Appreciation to Mr. Armando Diaz for His Service to The University of Texas System

4. U. T. Board of Regents: Presentation of Certificate of Appreciation to Mr. R. D. Burck for His Service to The University of Texas System

L. ADJOURNMENT