

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIA

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on

November 11-12, 1998

December 17, 1998

February 10-11, 1999

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.



Material Supporting the Agenda  
of the  
Board of Regents  
The University of Texas System

Meeting No.: 917

Date: November 11-12, 1998

Location: Houston, Texas

BOARD OF REGENTS  
OF  
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: Wednesday, November 11, 1998

Time: 1:30 p.m.

Place: Shivers Conference Room, Eleventh Floor  
R. Lee Clark Clinic Building  
The University of Texas M.D. Anderson  
Cancer Center  
1515 Holcombe Boulevard  
Houston, Texas

Purpose: Convene in Open Session, Recess to  
Executive Session Per the Agenda on  
Pages Ex.S 1 - 2, Reconvene in Open  
Session, and Recess

See Pages B of R 1 - 2,  
Items A - D

Date: Thursday, November 12, 1998

Time: 9:00 a.m.

Place: Ballroom, Charles A. LeMaistre  
Conference Center  
The University of Texas M.D. Anderson  
Cancer Center  
1515 Holcombe Boulevard  
Houston, Texas

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

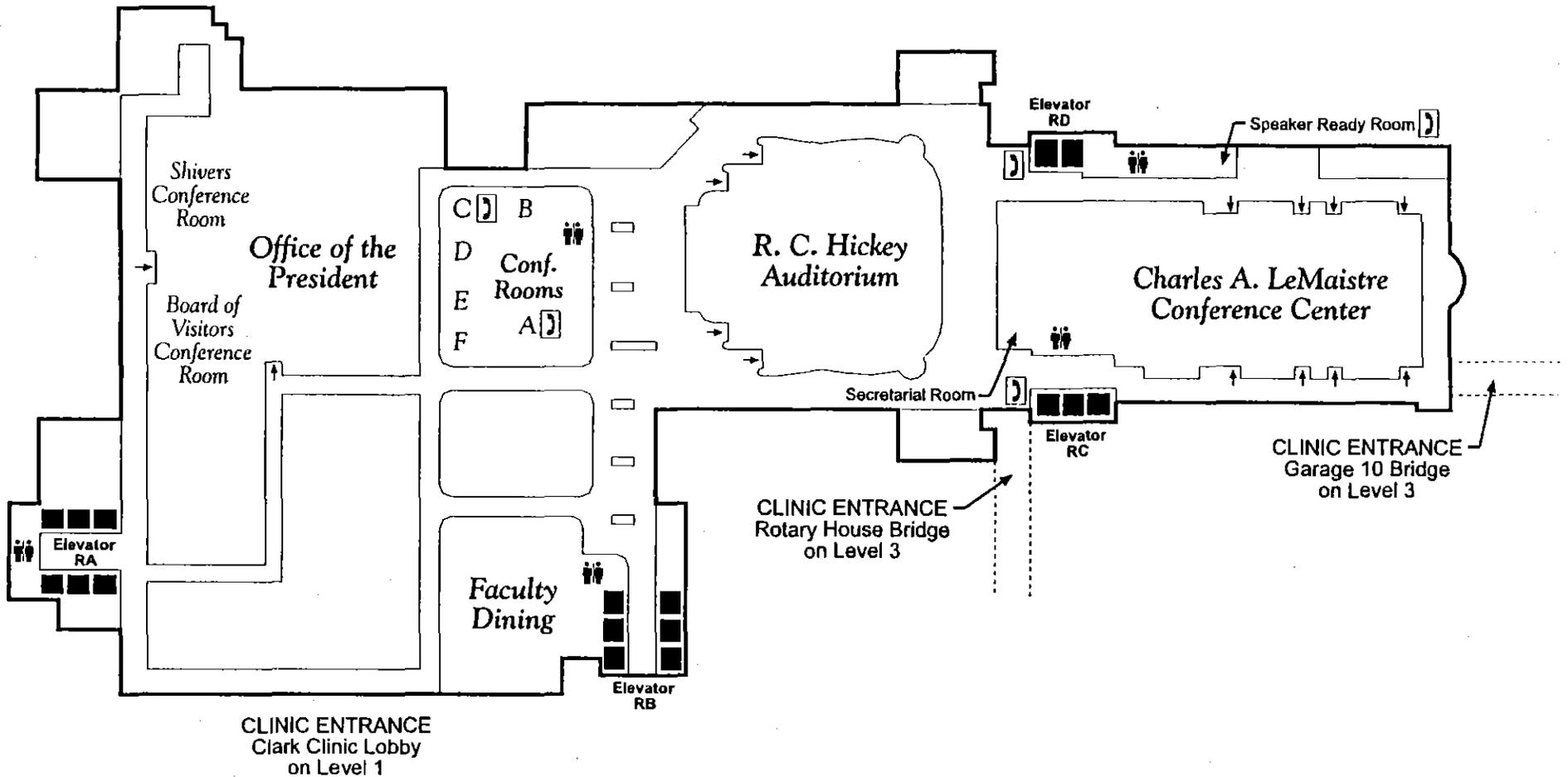
See Pages B of R 3 - 31,  
Items E - Q

Telephone Numbers

President Mendelsohn's Office (713) 792-6000

Houston Marriott Medical Center Hotel (713) 796-0080  
6580 Fannin Street

# Rose Zone - Level 11



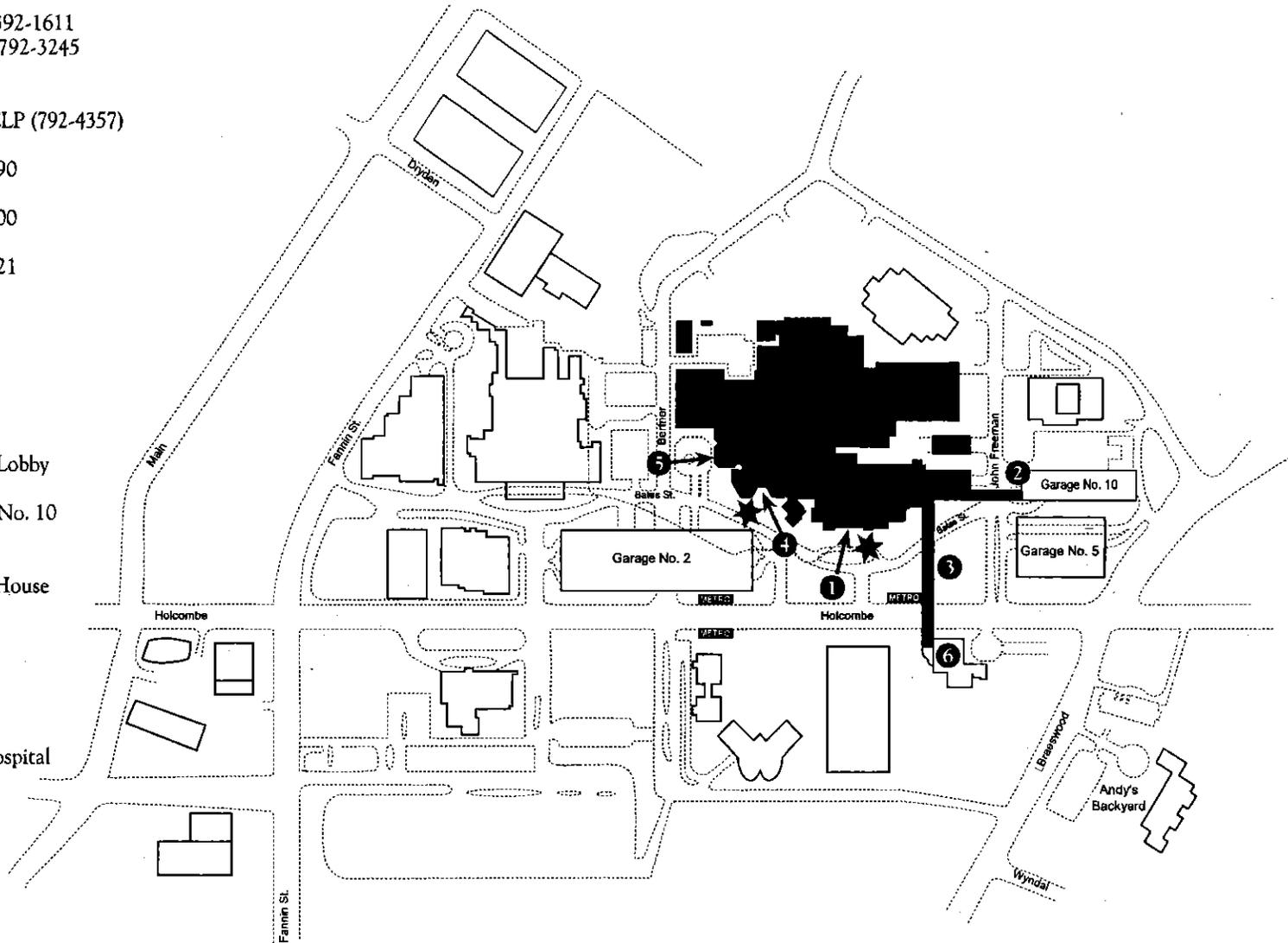
# Campus Map

## Useful Phone Numbers

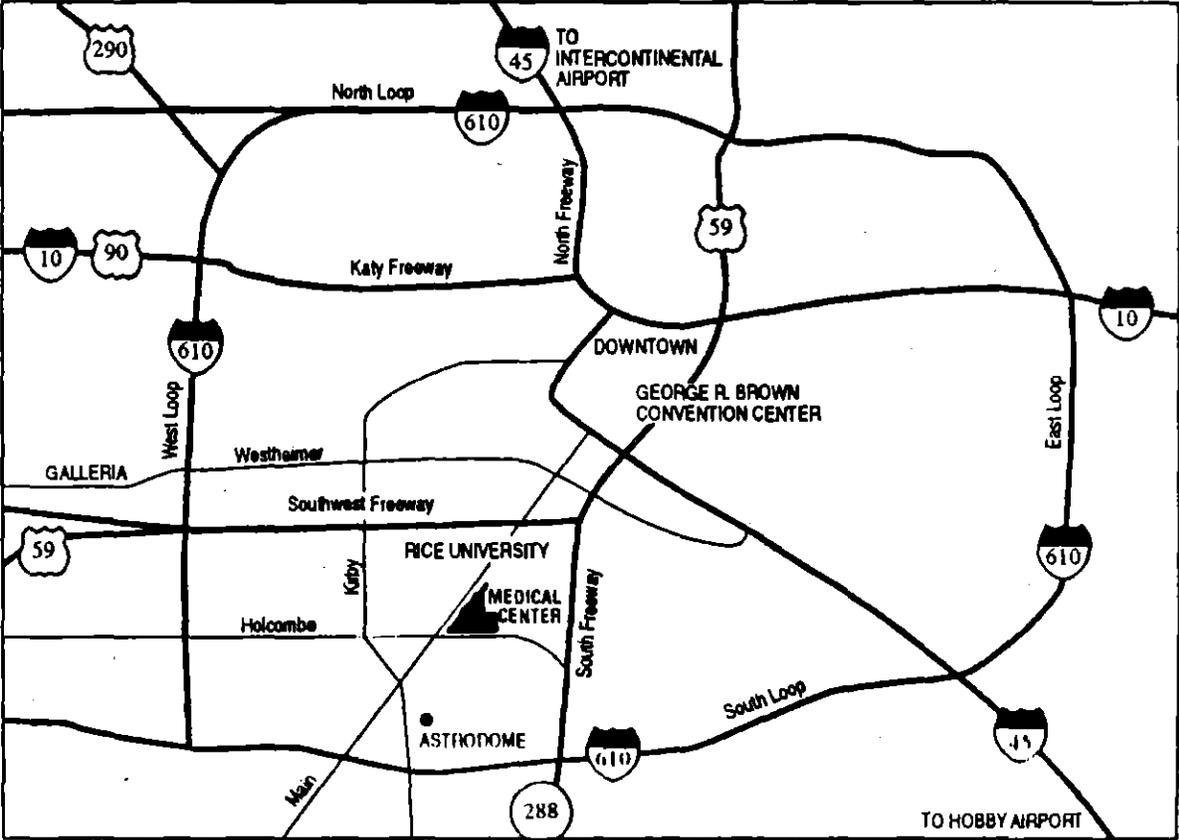
General Information	1-800-392-1611 (local) 792-3245
MDA Security:	
Emergencies	792-HELP (792-4357) 9-911
Car Problems	792-2890
Office of the President	792-6000
For other numbers call	792-2121

## Map Key

- ❶ CLINIC ENTRANCE: Clark Clinic Lobby
- ❷ CLINIC ENTRANCE: from Garage No. 10 via Level 3 Bridge
- ❸ CLINIC ENTRANCE: from Rotary House via Level 3 Bridge
- ❹ HOSPITAL ENTRANCE: Lutheran Pavilion Lobby
- ❺ HOSPITAL ENTRANCE: Albert B. & Margaret M. Alkek Hospital
- ❻ Jesse H. Jones Rotary House International (Hotel)
- ★ VALET PARKING



# Houston, Texas



# HOUSTON **Marriott** MEDICAL CENTER®

6580 Fannin Street, Houston, Texas 77030 (713) 796-0080



## 610 LOOP TRAVELING EAST

Exit Fannin Street, turn left onto Fannin heading North. Travel Fannin approximately 2 miles. Marriott Hotel will be on your left at the intersection of Fannin and Dryden. Turn left onto Dryden and right into the hotel main entrance.

## HIGHWAY 59 TRAVELING NORTH

Traveling 59 North, take Shepherd/Greenbriar exit. Turn right onto Greenbriar. Travel Greenbriar to University Boulevard. Turn left onto University Boulevard. Travel University Boulevard to Fannin Street. Turn right onto Fannin. The Marriott Hotel will be on your right at the intersection of Fannin and Dryden. Turn right onto Dryden and right into the hotel main entrance.

## FROM HOBBY AIRPORT/HIGHWAY 45 NORTH

Depart Hobby Airport onto Broadway. Travel Broadway to 45 North. Exit 45 North onto 610 Loop West. Follow directions for 610 Loop traveling West, below.

## 610 LOOP TRAVELING WEST

Exit Fannin Street. Turn right onto Fannin. Travel Fannin, North, approximately 2 miles. The Marriott Hotel will be on your left at the intersection of Fannin and Dryden. Turn left onto Dryden and right into the hotel main entrance.

## FROM INTERCONTINENTAL AIRPORT/ HIGHWAY 59 SOUTH

Depart Intercontinental Airport onto Will Clayton Boulevard. Take Will Clayton to Highway 59 South. Travel 59 South to Fannin Street exit (19 miles). Turn left onto Fannin. The Marriott Hotel will be on your right at the intersection of Fannin and Dryden. Turn right onto Dryden and right into the hotel main entrance.

## HIGHWAY 45 TRAVELING SOUTH

Travel Highway 45 South to intersection of Highway 59. Take 59 South to Fannin Street exit. Follow directions for Highway 59 South, above.

## FROM INTERCONTINENTAL AIRPORT/ BELTWAY 8 TO HARDY TOLL ROAD

Depart Intercontinental Airport via John F. Kennedy Blvd. Follow Kennedy Blvd. to Beltway 8/Northbelt. Turn right onto Beltway 8/Northbelt, heading West. Exit Hardy Toll Road, Southbound. Follow Hardy Toll Road South to 610 East, to 59 South. Follow directions for 59 South, above.

# Meeting of the Board

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

Date: Wednesday, November 11, 1998

Time: 1:30 p.m.

Place: Shivers Conference Room, Eleventh Floor, R. Lee Clark Clinic Building, U. T. M.D. Anderson Cancer Center

- 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. Southwestern Medical Center - Dallas: Proposed Settlement of Medical Liability Litigation
    - b. U. T. Medical Branch - Galveston: Proposed Settlement of Medical Liability Litigation
  - 2. Negotiated Contracts for Prospective Gifts or Donations - Section 551.073
    - a. U. T. System: Deliberation on Recommendations of Kaludis Consulting Group, Inc. Regarding Negotiated Contract for Prospective Gift/Donation Related to the Lower Rio Grande Valley Regional Academic Health Center

- b. U. T. Austin: Deliberation Regarding Negotiated Contract for a Prospective Gift/Donation for the College of Fine Arts
- 3. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

U. T. Health Center - Tyler: Recommendation to Change the Title of Chief Administrative Officer from Director to President, Recommendation to Advance Candidate for Consideration as President, and Appointment of Special Committee (Regents' Rules and Regulations, Part One, Chapter II, Section 13, Subsection 13.1, Subdivision 13.14)

- C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION MATTERS (ITEM B ABOVE)
- D. RECESS TO BRIEFING SESSION IF TIME PERMITS

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

Date: Thursday, November 12, 1998

Time: 9:00 a.m. Reconvene in Open Session to  
Continue Until Completion of  
Business

Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

- E. RECONVENE IN OPEN SESSION
- F. WELCOME BY PRESIDENT MENDELSON
- G. APPROVAL OF MINUTES OF REGULAR MEETING HELD  
AUGUST 12-13, 1998
- H. SPECIAL ITEMS
- 1. U. T. Board of Regents: Proposed Amendment to the  
Regents' Rules and Regulations, Part Two, Chapter XI,  
Section 3, Subsection 3.2 (Settlement of Disputes).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter XI, Section 3, Subsection 3.2, regarding settlement of disputes, be amended as set forth in congressional style on Page B of R - 4.

3.2

Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation subject to approval of System officials as set out below and compliance with all other legal requirements. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor or Vice Chancellor
\$300,001 to \$500,000	Concurrence of the <u>Chancellor and the</u> Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

The amount of the settlement shall mean the amount claimed by U. T. System but not received pursuant to the settlement or, in the case of a claim against U. T. System, the total settlement amount to be paid by U. T. System.

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations, Part Two, Chapter XI, Section 3, Subsection 3.2, regarding settlement of disputes, modifies the requirements for approval of settlements to include the Chancellor in the policy regarding approval of settlements in the range of \$300,001 to \$500,000. The proposed revision is consistent with current practice.

2. U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for June 1, 1998 Through August 31, 1998.--

(See Pages B of R 6 - 10.)

**ACCEPTANCE OF GIFTS HELD BY BOARD**

# ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES							MATCHING FUNDS	TOTAL VALUE
		CASH	SECURITIES	REAL ESTATE	PLEDGES	OTHER	TRANSFERS			
7	U. T. Arlington	\$ 165,388	\$ 9,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,325
40	U. T. Austin	\$ 1,204,270	\$ 3,510,356	\$ -	\$ 381,250	\$ -	\$ 60,657	\$ 22,500	\$ -	\$ 5,156,533 *
13	U. T. El Paso	\$ 158,574	\$ -	\$ 100,000	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ 348,574
2	U. T. Pan American	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,142,022	\$ -	\$ -	\$ 1,142,022
1	U. T. Permian Basin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	U. T. San Antonio	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
4	U. T. Tyler	\$ 321,367	\$ 54,188	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 390,554
8	U. T. SWMC-Dallas	\$ 1,664,611	\$ 3,128,325	\$ 10,140	\$ 422,735	\$ -	\$ 2,519,200	\$ 1,282,000	\$ -	\$ 5,245,011 *
4	U. T. M.B.-Galveston	\$ 52,138	\$ 101,701	\$ -	\$ -	\$ -	\$ 30,988	\$ -	\$ -	\$ 184,828
8	UTHSC-San Antonio	\$ 314,544	\$ -	\$ 78,500	\$ -	\$ -	\$ 5,546	\$ -	\$ -	\$ 398,590
21	UTMDACC	\$ 1,945,449	\$ 64,000	\$ -	\$ -	\$ -	\$ 1,472,600	\$ -	\$ -	\$ 2,482,049 *
1	UTHC-Tyler	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
111	TOTAL	\$ 5,866,340	\$ 6,868,508	\$ 188,640	\$ 908,985	\$ -	\$ 5,231,014	\$ 1,304,500	\$ -	\$ 15,563,486 *

\* Not included in total: U. T. Austin - \$22,500.00 of Board-held matching funds;  
 U. T. SWMC-Dallas - \$1,282,000 of Board-held matching funds and \$2,500,000 of transfers of previously accepted gifts; and  
 UTMDACC - \$1,000,000.00 of transfer from endowment to endowment

NOTE: Compiled by Office of Development and External Relations

**CLASSIFICATION OF GIFTS AND OTHER ACTIONS**

<b>COMPONENT INSTITUTION</b>	<b>ENDOWMENTS</b>	<b>CHARITABLE REMAINDER TRUSTS</b>	<b>POOLED INCOME FUND</b>	<b>REMAINDER INTERESTS</b>	<b>HELD IN TRUST BY OTHERS</b>	<b>CURRENT PURPOSE</b>	<b>OTHER</b>
U. T. Arlington	7	—	—	—	—	—	—
U. T. Austin	32	2	1	—	2	3	—
U. T. El Paso	12	1	—	—	—	—	—
U. T. Pan American	2	—	—	—	—	—	—
U. T. Permian Basin	—	—	—	—	1	—	—
U. T. San Antonio	2	—	—	—	—	—	—
U. T. Tyler	4	—	—	—	—	1	—
U. T. SWMC-Dallas	7	—	—	—	2	1	—
U. T. M.B.-Galveston	4	—	—	—	—	—	—
UTHSC-San Antonio	7	—	—	—	1	—	—
UTMDACC	12	—	—	—	—	9	—
UTHC-Tyler	1	—	—	—	—	—	—
<b>TOTAL</b>	<b>90</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>14</b>	<b>0</b>

**PURPOSES OF GIFTS HELD BY BOARD AND OTHERS**

COMPONENT INSTITUTION	ENDOWMENT								CURRENT PURPOSE	OTHER PURPOSE
	DIST. CHAIR	CHAIR	DIST. PROF'SHIP	PROF'SHIP	FACULTY FELLOWSHIP	GRADUATE FELLOWSHIP	SCHOLARSHIP	OTHER		
U. T. Arlington	--	--	--	--	--	--	7	--	--	--
U. T. Austin	--	--	--	--	--	--	19	7	3	3
U. T. El Paso	--	--	--	1	--	--	7	3	--	--
U. T. Pan American	--	1	--	--	--	--	--	1	--	--
U. T. Permian Basin	--	--	--	--	--	--	--	--	--	1
U. T. San Antonio	--	--	--	--	--	--	1	1	--	--
U. T. Tyler	--	--	--	--	--	--	3	1	1	--
U. T. SWMC-Dallas	2	2	--	--	--	--	--	3	1	--
U. T. M.B.-Galveston	--	--	--	1	--	1	--	2	--	--
UTHSC-San Antonio	--	--	--	--	--	--	3	4	--	1
UTMDACC	1	--	--	2	--	--	--	2	9	--
UTHC-Tyler	--	--	--	--	--	--	--	1	--	--
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>40</b>	<b>25</b>	<b>14</b>	<b>5</b>

Total purposes may not equal the total number of items because some items pertain to multiple purposes.

**OTHER ADMINISTRATIVE ACTIONS**

<b>COMPONENT INSTITUTION</b>	<b>ESTABLISH ENDOWMENT</b>	<b>REDESIGNATE ENDOWMENT LEVEL</b>	<b>OTHER REDESIGNATION</b>	<b>DISSOLVE ENDOWMENT</b>	<b>APPROVE/ALLOCATE MATCHING</b>	<b>ACCEPT TRUSTEESHIP</b>	<b>OTHER</b>
U. T. Arlington	7	—	—	—	—	—	—
U. T. Austin	23	1	5	—	3	1	1
U. T. El Paso	11	—	1	—	—	—	1
U. T. Pan American	2	—	—	—	—	—	—
U. T. Permian Basin	—	—	—	—	—	—	—
U. T. San Antonio	2	—	—	—	—	—	—
U. T. Tyler	3	—	—	—	—	—	—
U. T. SWMC-Dallas	5	2	2	—	5	—	—
U. T. M.B.-Galveston	4	—	—	—	1	—	—
UTHSC-San Antonio	7	—	—	—	—	—	—
UTMDACC	3	6	2	2	—	—	—
UTHC-Tyler	1	—	—	—	—	—	—
<b>TOTAL</b>	<b>68</b>	<b>9</b>	<b>10</b>	<b>2</b>	<b>9</b>	<b>1</b>	<b>2</b>

**COMPARATIVE SUMMARY OF GIFTS ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS**

COMPONENT INSTITUTION	FY 1997 FULL YEAR	FISCAL YEAR 1998			FULL YEAR
		9/1/97 - 11/30/97	12/1/97 - 2/28/98	3/1/98 - 5/31/98	
U. T. System	\$ --	\$ --	\$ --	\$ --	\$ --
U. T. Arlington	\$ 467,160	\$ 1,035,334	\$ 131,000	\$ 291,908	\$ 1,633,567
U. T. Austin	\$ 12,596,223	\$ 3,958,202	\$ 5,118,954	\$ 2,654,892	\$ 16,888,581
U. T. Brownsville	\$ 25,000	\$ 10,000	\$ --	\$ --	\$ 10,000
U. T. Dallas	\$ 67,313	\$ 250,000	\$ --	\$ 161,126	\$ 411,126
U. T. El Paso	\$ 2,713,341	\$ 2,701,633	\$ 830,260	\$ 183,821	\$ 4,064,288
U. T. Pan American	\$ 643,151	\$ --	\$ --	\$ --	\$ 1,142,022
U. T. Permian Basin	\$ 641,000	\$ 112,770	\$ 90,000	\$ 70,000	\$ 272,770
U. T. San Antonio	\$ 380,500	\$ 86,593	\$ 40,908	\$ 89,406	\$ 236,907
U. T. Tyler	\$ 65,000	\$ 40,000	\$ --	\$ 123,615	\$ 554,169
U. T. SWMC-Dallas	\$ 12,392,401	\$ 559,286	\$ 29,410,083	\$ 297,000	\$ 35,511,381
U. T. M.B.-Galveston	\$ 8,403,150	\$ 2,260,581	\$ 180,150	\$ 1,510,000	\$ 4,135,559
UTHSC-Houston	\$ 4,584,653	\$ 810,000	\$ 4,320,104	\$ 465,300	\$ 5,595,404
UTHSC-San Antonio	\$ 2,489,807	\$ 1,000,000	\$ 500,000	\$ 431,585	\$ 2,330,175
UTMDACC	\$ 1,977,697	\$ 1,497,744	\$ 7,340,320	\$ 2,460,160	\$ 13,780,273
U. T. HC-Tyler	\$ 140,910	\$ --	\$ 406,000	\$ 50,000	\$ 476,000
U. T. Austin/UTMDACC	\$ 28,048	\$ --	\$ --	\$ --	\$ --
<b>TOTAL</b>	\$ 47,615,354	\$ 14,322,143	\$ 48,367,779	\$ 8,788,814	\$ 87,042,222

B OF R - 10

I. MATTERS RELATED TO THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)

1. U. T. System: Report on Investments for the Fiscal Year Ended August 31, 1998.--

REPORT

Pages B of R 13 - 16 contain the Summary Reports on Investments for the fiscal year ended August 31, 1998.

Item a on Page B of R - 13 presents the summary report for Permanent University Fund (PUF) Investments. PUF Investments began the year with a market value of \$6.37 billion. During the year, contributions of mineral income from PUF Lands equaled \$79.5 million, down 6.7% versus receipts for the prior year. In addition, total investment return was \$329 million of which \$260 million was income return distributed to the Available University Fund (AUF) and \$69.3 million was price return. PUF market value ended the year at \$6.5 billion.

Year-end asset allocation was 62% broadly defined equities and 38% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income. Within equities, year-end allocation was 43% U. S. large and mid cap stocks, 5% U. S. small cap stocks, 6.5% non-U. S. equities and 7.5% alternative equities.

The PUF's accrued investment income of \$260 million decreased by a nominal rate of 1.1% versus \$263.0 million for the prior year and by 2.7% on an inflation adjusted basis. Distributed investment income for the year of \$260 million was \$4 million over budget but \$3 million under investment income earned during the prior year.

PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. Interest rates declined steadily throughout the year from 6.6% at the beginning of the year to 5.2% at year-end. The reinvestment spread on maturing and redeemed bonds was a negative 2.88% as bonds ran off at an average yield of 9.04% and were replaced by bonds yielding 6.16%. As of year-end, the distributable book yield on the \$2.4 billion fixed income portfolio declined to 7.75% versus 8.10% 12 months ago.

Total investment return for the year was 5.0%. The fixed income portfolio posted a total return of 12.9% for the year versus 10.6% for the Lehman Aggregate Bond Index. Equities,

as an asset class, posted lower relative returns with the S&P 500 Index and Russell 3000 Index posting returns of 8.1% and 3.5%, respectively. The PUF's equity portfolios (including non-U. S. portfolios) produced a lower return (0.2%) largely due to exposure to high yielding REIT and small cap portfolios. Finally, alternative equities performed well producing an 8.7% return for the year.

Item b on Page B of R - 14 reports summary activity for the Long Term Fund (LTF). During the year, net contributions totaled \$80.5 million representing a 22% increase over the prior year. Investment return was \$42.7 million. Distributions to the 4,792 endowment and other accounts underlying the LTF totaled \$90.9 million; an increase of 15% versus the prior year. The Fund's market value closed the quarter at \$2.1 billion, virtually unchanged from the beginning of the year.

Asset allocation at year-end was 23% fixed income and 77% broadly defined equities. Within equities, U. S. small cap and non-U. S. equities were slightly overweighted at 11% and 16%, respectively, of total assets. U. S. large and mid cap equities were neutrally weighted at 31% while alternative equities were underweighted at 19% versus a neutral weighting of 25%. Total investment return for the year was 2.0% versus the neutral policy portfolio return of 3.0%.

Item c on Page B of R - 15 presents quarterly activity for the Short/Intermediate Term Fund. During the year, the Fund received net contributions of \$126.9 million. It earned \$152.8 million in total return and incurred expenses of \$500 thousand. Distributions to the U. T. System component institutions equaled \$101 million, resulting in a year-end Fund value of \$1.8 billion vs. \$1.6 billion at the beginning of the year. Total return on the Fund was 9.4% for the year versus the Fund's performance benchmark of 7.3%.

Item d on Page B of R - 16 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 \$190 million to \$694 million during the final quarter. Asset values for the remaining asset classes were fixed income securities: \$71 million versus \$70 million at previous quarter-end; equities: \$35 million versus \$39 million at previous quarter-end; and other investments of \$13 million versus \$16 million at previous quarter-end.

a. PERMANENT UNIVERSITY FUND

Summary Investment Report at August 31, 1998.--

PERMANENT UNIVERSITY FUND (1)  
INVESTMENT SUMMARY REPORT  
(\$ millions)

	FY96-97	FY97-98				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
Beginning Market Value	5,292.1	6,368.3	6,615.1	6,976.4	7,113.0	6,368.3
PUF Lands Receipts (2)	85.2	25.8	20.2	17.8	15.7	79.5
Investment Income (3)	263.0	63.1	64.1	65.2	67.6	260.0
Change in Undistributed Income Payable to the Available University Fund (4)	2.2	-	-	-	-	-
Investment Income Distributed (4)	(265.2)	(63.1)	(64.1)	(65.2)	(67.6)	(260.0)
Realized Gains	251.0	123.3	87.6	92.3	164.4	467.6
Change in Unrealized Gains	740.0	97.7	253.5	26.5	(776.0)	(398.3)
Ending Market Value	6,368.3	6,615.1	6,976.4	7,113.0	6,517.1	6,517.1
AUF income:						
Investment Income	263.0 (5)	63.1	64.1	65.2	67.6	260.0
Surface Income	5.3	1.2	2.2	1.0	2.2	6.6
Total	268.3	64.3	66.3	66.2	69.8	266.6

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

- (1) Excludes PUF Lands mineral and surface interests with estimated August 31, 1998 values of \$385.6 million and \$154.9 million, respectively.  
(2) As of August 31, 1998: 1,335,864 acres under lease; 527,896 producing acres; 3,546 active leases; and 2,072 producing leases.  
(3) Investment income includes amortization of discount and premium bonds in accordance with statutory requirements.  
(4) For FY96-97, cash investment income was distributed to AUF. Effective FY97-98, accrued investment income is distributed to AUF.  
(5) Restated on an accrual basis for comparative purposes.

b. LONG TERM FUND

Summary Investment Report at August 31, 1998.--

LONG TERM FUND  
SUMMARY REPORT  
(\$ millions)

	FY96-97	FY97-98				Full Year
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Beginning Net Assets	1,712.1	2,125.0	2,195.7	2,360.8	2,418.2	2,125.0
Net Contributions	66.1	20.5	20.2	25.5	14.3	80.5
Investment Return	433.8	71.9	166.6	60.7	(256.5)	42.7
Receipt of Funds from System for UTIMCO Fee	-	0.5	0.5	0.5	0.5	2.0
Expenses	(4.5)	(1.4)	(1.4)	(1.8)	(2.6)	(7.2)
Distributions (Payout)	(79.1)	(20.7)	(20.8)	(24.7)	(24.7)	(90.9)
Distribution of Gain on Participant Withdrawals	(3.4)	(0.1)	-	(2.8)	(1.4)	(4.3)
Ending Net Assets	2,125.0	2,195.7	2,360.8	2,418.2	2,147.8	2,147.8
Net Asset Value per Unit	4.672	4.782	5.094	5.168	4.568	4.568
No. of Units (End of Period)	454,803,889	459,182,234	463,409,072	467,870,742	470,190,284	470,190,284
Distribution Rate per Unit	0.175	0.0450	0.0450	0.0525	0.0525	0.1950

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

c. SHORT/INTERMEDIATE TERM FUND

Summary Investment Report at August 31, 1998.--

SHORT/INTERMEDIATE TERM FUND  
SUMMARY REPORT  
(\$ millions)

	FY96-97	FY97-98				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
Beginning Net Assets	1,332.1	1,631.4	1,619.7	1,649.0	1,680.6	1,631.4
Contributions (Net of Withdrawals)	274.3	(26.9)	15.6	31.5	106.7	126.9
Investment Return	115.4	40.4	38.4	25.4	48.6	152.8
Expenses	(0.4)	(0.1)	(0.2)	(0.1)	(0.1)	(0.5)
Distributions of Income	(90.0)	(25.1)	(24.5)	(25.2)	(26.2)	(101.0)
Ending Net Assets	1,631.4	1,619.7	1,649.0	1,680.6	1,809.6	1,809.6

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

d. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 1998.--

SEPARATELY INVESTED ASSETS  
SUMMARY REPORT  
(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 6/1/98	3,632	3,632	4,729	4,729	21,277	21,277	383	383	-	-	854,973	854,973	884,994	884,994
Increase/(Decrease)	(456)	(456)	(2,419)	(2,419)	11,547	11,547	16	16	30	30	(199,220)	(199,220)	(190,502)	(190,502)
Ending value 8/31/98	3,176	3,176	2,310	2,310	32,824	32,824	399	399	30	30	655,753	655,753	694,492	694,492
Debt Securities:														
Beginning value 6/1/98	-	-	7	5	57,262	58,754	10,633	11,285	-	-	-	-	67,902	70,044
Increase/(Decrease)	-	-	-	-	316	824	(98)	22	-	-	-	-	218	846
Ending value 8/31/98	-	-	7	5	57,578	59,578	10,535	11,307	-	-	-	-	68,120	70,890
Equity Securities:														
Beginning value 6/1/98	42	3,565	582	596	17,968	28,226	6,162	6,953	-	-	-	-	24,754	39,340
Increase/(Decrease)	-	(1,638)	(378)	(397)	263	(1,844)	47	(658)	-	-	-	-	(68)	(4,537)
Ending value 8/31/98	42	1,927	204	199	18,231	26,382	6,209	6,295	-	-	-	-	24,686	34,803
Other:														
Beginning value 6/1/98	9,000	9,000	888	888	(54)	(54)	6,319	6,753	-	-	-	-	16,153	16,587
Increase/(Decrease)	(2,700)	(2,700)	(521)	(521)	423	423	(98)	(836)	-	-	-	-	(2,896)	(3,634)
Ending value 8/31/98	6,300	6,300	367	367	369	369	6,221	5,917	-	-	-	-	13,257	12,953

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

2. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 1998.--

#### RECOMMENDATION

Under separate bound cover to be distributed at the November 1998 meeting of the U. T. Board of Regents, The University of Texas Investment Management Company presents a report on Permanent University Fund investments for the fiscal year ended August 31, 1998. The report summarizes the investment transactions and balances, the investment objectives, performance and asset allocation information for the fiscal year ended August 31, 1998.

Section 66.05 of the Texas Education Code requires that the report be approved by the U. T. Board of Regents prior to its distribution to the Governor, members of the Legislature, and other State Officials.

3. U. T. Board of Regents: Proposed Approval of Amendments to Investment Management Services Agreement with UTIMCO.--

#### RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company ("UTIMCO") recommends that the U. T. Board of Regents approve the amendment of Section 3 f) and add Sections 7 e) and 7 f) to the Investment Management Services Agreement (the "Agreement") dated March 1, 1996, between the U. T. Board of Regents and UTIMCO as set forth below in congressional style.

Amend Section 3 f) of the Agreement to read as follows:

f) **Other Services:**

UTIMCO shall perform other investment management services to include attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time, rendering services to promoters of private equity investments in which UTIMCO has decided to invest,

attending meetings of governing bodies of companies in which UTIMCO's managed Accounts have invested, voting of securities (or proxies with respect thereto) held as investments of the Accounts; providing U. T. System component institutions with annual endowment reports reflecting, among other things, changes in the investment value of such component's endowment and distributions made to such component to support the activities for which the endowment was established; providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing funds to authorized beneficiaries on foundation accounts; effecting distributions directly or through the Custodian to U. T. System component institutions or other named beneficiaries from the Accounts; supporting and maintaining on-line account information system for endowment accounts; and any other services necessary to provide investment management of the Accounts.

Add Section 7 e) and f) to the Agreement as follows:

**e) Directors Fees:**

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.

**f) Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee ("Service Fees") from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees ("Capital Fees") accruing or inuring to the capital invested on behalf of the Accounts managed by UTIMCO. Such Capital Fees shall be credited to the Accounts from which such investments are funded.

### BACKGROUND INFORMATION

Amendment of Section 3 f) is recommended to recognize that UTIMCO staff frequently assists portfolio companies and the investor group associated with co-investment in private equity transactions.

The addition of Section 7 e) is simply a relocation of language governing conditions and compensation for services by UTIMCO investment staff as directors of portfolio companies from Fund Investment Policies to the Agreement.

The addition of Section 7 f) is recommended to stipulate that any fees received by UTIMCO in consideration for the performance of services referenced in Section 3 f) shall be characterized as either Service Fees or Capital Fees. All Service Fees shall be credited to UTIMCO and included in the determination of the UTIMCO annual fee. All Capital Fees shall be allocated to the PUF or LTF in proportion to the capital committed or invested by each Fund.

The proposed amendments to the Agreement were reviewed by UTIMCO's counsel, Vinson & Elkins, Austin, Texas, and were approved by the UTIMCO Board of Directors on August 20, 1998.

J. 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 Material Supporting the Agenda. 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 Evans  
Vice-Chairman Loeffler, Vice-Chairman Clements  
MSA Page Ex.C - 1

Business Affairs and Audit Committee: Chairman  
Riter, Regent Hicks, Regent Oxford  
MSA Page BAAC - 1

Academic Affairs Committee: Chairman Lebermann  
Regent Clements, Regent Riter, Regent Smiley  
MSA Page AAC - 1

Health Affairs Committee: Chairman Loeffler  
Regent Clements, Regent Oxford, Regent Sanchez  
MSA Page HAC - 1

Facilities Planning and Construction Committee:  
Chairman Clements, Regent Lebermann, Regent Sanchez  
MSA Page FPCC - 1

K. RECONVENE AS COMMITTEE OF THE WHOLE

L. ITEMS FOR THE RECORD

1. U. T. System: Report on Status of Degree Programs and Academic Organization Requests Approved by the U. T. Board of Regents and Submitted to the Texas Higher Education Coordinating Board for the Period September 1, 1997 Through August 31, 1998.--

REPORT

Following is a report for the record on the status of degree programs and academic organization requests which have been approved by the U. T. Board of Regents for submission to the Texas Higher Education Coordinating Board. Included are items which have been acted upon by the Coordinating Board since September 1, 1997, or were still pending before the Coordinating Board as of August 31, 1998. Four regular Coordinating Board meetings have occurred since the last report. Full approval has been given for 13 programs and administrative change requests, eight requests are now pending, and two have been withdrawn.

- a. Degree Programs and Academic Administrative Changes Approved by the Coordinating Board for Implementation

U. T. Arlington

Ph.D. in English  
Ph.D. in History  
Ph.D. in Linguistics

U. T. Dallas

M.S. in Applied Economics  
M.S. in Geographic Information Sciences

U. T. Pan American

M.A. in Criminal Justice (Joint Program with U. T. Brownsville)  
M.S.N. with a Major in Nursing and a Program in Family Nurse Practitioner

U. T. San Antonio

Ed.D. in Educational Leadership

U. T. Southwestern Medical Center - Dallas

Revised Allied Health Sciences School's Mission Statement  
to include the M.S. in Physical Therapy  
Ph.D. in Integrative Biology

U. T. Health Science Center - Houston

M.P.H. through satellite program at U. T. Southwestern  
Medical Center - Dallas  
M.S. in Health Informatics

U. T. Health Science Center - San Antonio

Master of Occupational Therapy (M.O.T.) with a Major in  
Occupational Therapy

b. Requests Approved by the U. T. Board of Regents and  
Pending with the Coordinating Board

U. T. Brownsville

B.S. in Allied Health  
M.A. in History

U. T. Dallas

M.A. and M.S. in Applied Sociology  
M.S. in Medical Management  
B.A. in Crime and Justice Studies

U. T. El Paso

Ph.D. in History

U. T. Pan American

Ed.D. in Educational Leadership (Step III)

U. T. San Antonio

Ph.D. in Culture, Literacy, and Language

- c. Items Approved by the U. T. Board of Regents, Sent to the Coordinating Board, and Subsequently Withdrawn by the Institution

U. T. Arlington

M.S. in Health Care Administration

U. T. Brownsville

B.S. in Health Promotion

2. U. T. System: Report on Status of Administratively Approved Academic Program Changes for the Period September 1, 1997 Through August 31, 1998.--

REPORT

Under U. T. Board of Regents' guidelines, the Executive Vice Chancellor for Health Affairs and the Vice Chancellor for Academic Affairs are authorized to forward certain academic program changes to the Texas Higher Education Coordinating Board for approval at the staff level, subject to periodic reporting to the U. T. Board of Regents for the record. These changes, considered to be "nonsubstantive" according to the Coordinating Board's terminology, must be consistent with institutional Tables of Programs approved by the U. T. Board of Regents and the Coordinating Board. Four regular Coordinating Board meetings have occurred since the last report.

Full approval of 30 such nonsubstantive requests for nine U. T. System component institutions has been granted by the staff of the Coordinating Board during the period from September 1, 1997 through August 31, 1998, as follows:

U. T. Arlington (1 item)

1. Changed the name of the M.S. in Personnel and Human Resource Management to the M.S. in Human Resource Management

U. T. Austin (12 items)

2. Established a B.S. in Public Relations
3. Established Doctoral Portfolio Certificates in Gerontology, Presidential Studies, and Women's Studies
4. Divided the Department of Speech into the Department of Speech Communication and the Department of Communication Sciences and Disorders
5. Moved B.S. in Interior Design from College of Natural Sciences to School of Architecture
6. Established the Department of American Studies
7. Changed the name of the M.S. in Engineering with Major in Environmental Health Engineering to a Major in Environmental and Water Resources Engineering
8. Changed degree designation of Bachelor in Science in Engineering degree with a Major in Geosystems Engineering and Hydrogeology to Bachelor of Science degree with a Major in Geosystems Engineering and Hydrogeology
9. Changed name of Department of Germanic Languages to Department of Germanic Studies
10. Changed name of M.A. in Post-Soviet and East European Studies to M.A. in Russian, East European and Eurasian Studies
11. Changed name of M.S. in Commercialization of Science and Technology to M.S. in Science and Technology Commercialization
12. Changed name of M.A. and Ph.D. in Slavic Languages to M.A. and Ph.D. in Slavic Languages and Literature
13. Combined Mental Health and Chemical Dependency Services and Children and Family Services concentrations to form M.S. in Social Work

U. T. Brownsville (1 item)

14. Changed name of Department of Office Occupations in the School of Business to Department of Business Technology

U. T. Dallas (3 items)

15. Established B.S. and M.S. in Telecommunications Engineering
16. Established Software Engineering Major within Computer Science M.S. (Note: Originally considered as a substantive proposal and reported on last year's report as such.)
17. Authorized Flextime Scheduling Option for International Management Studies, M.A. (MIMS)

U. T. Pan American (2 items)

18. Abandoned Associate Degree in Nursing program
19. Changed B.S. in Criminal Justice from "Broad Field without Minor" to "Major with Minor"

U. T. San Antonio (5 items)

20. Established Business in the United States, MBA Certificate
21. Established M.A. in Counseling
22. Established B.S. in Business Administration
23. Deleted Molecular Toxicology Program (Led to the M.S. Degree with Major in Biotechnology)
24. Deleted Quantitative Biology Program (Led to M.S. Degree with Major in Biotechnology)

U. T. Medical Branch - Galveston (4 items)

25. Established Department of Health Care and Information Administration
26. Established a receiving site at the Harris Methodist Hospital in Fort Worth to offer the Program in Neonatal Nurse Practitioner leading to the M.S. in Nursing Degree via distance education
27. Established the B.S. in Nursing Degree (BSN-RN) at Wilford Hall Medical Center, Lackland Air Force Base, San Antonio, to be offered via distance education

28. Changed the name of the Department of Medical Technology to the Department of Clinical Laboratory Sciences and changed the name of the Bachelor of Science in Medical Technology (BSMT) Degree with a Major in Medical Technology to a Bachelor of Science (B.S.) Degree with a Major in Clinical Laboratory Sciences

U. T. Health Science Center - Houston (1 item)

29. Established a Collaborative, Dual Degree Program leading to the M.S. in Nursing (MSN) Degree and the Master of Public Health (M.P.H.) Degree between the U. T. Health Science Center - Houston School of Public Health and the U. T. Health Science Center - San Antonio School of Nursing

U. T. Health Science Center - San Antonio (1 item)

30. Established a receiving site at Sul Ross State University Rio Grande Campus to offer via distance education a B.S. in Nursing (BSN) Degree Program

3. U. T. San Antonio: Appointment of Advisory Committee for the Selection of a Chief Administrative Officer (President).--

REPORT

The membership of the Advisory Committee for the Selection of a Chief Administrative Officer (President) for The University of Texas at San Antonio is herewith reported for the record. This Committee has been constituted pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 13.

Advisory Committee for the Selection  
of a Chief Administrative Officer  
for  
The University of Texas at San Antonio

System Administration Representatives

Chancellor William H. Cunningham  
Vice Chancellor for Academic Affairs Edwin R. Sharpe  
(Chairman)

Board of Regents

Regent Tom Loeffler  
Regent A. R. (Tony) Sanchez, Jr.

Chief Administrative Officers

Dr. Juliet V. Garcia, President, The University of Texas  
at Brownsville  
Dr. Diana S. Natalicio, President, The University of  
Texas at El Paso

Faculty Representatives

Dr. Jeanne Reesman, Professor of English, Office of  
Graduate Studies  
Dr. Betty Travis, Associate Professor of Mathematics,  
Division of Mathematics and Statistics  
Dr. Arturo Vega, Associate Professor of Political  
Science, Division of Social and Policy Sciences

Dean

Dr. Dwight F. Henderson, Dean, College of Social and Behavioral Sciences

Student Representatives

Mr. Eric Denton, Division of Accounting and Information Systems, Student Government President

Ms. Elizabeth Purkey, Division of Behavioral and Cultural Sciences

Alumni Association Representative

Ms. Ingrid Barth Faris, President, The University of Texas at San Antonio Alumni Association

Nonfaculty Employees

Ms. Evonn Hansen, Student Development Specialist, U. T. San Antonio Downtown Campus

Ms. Karen M. Whitney, Associate Vice President for Student Affairs, Office of Student Affairs

Community/External Representatives

Mr. Tom C. Frost

Mr. Heriberto "Berto" Guerra

Mrs. Aaronetta Pierce

4. U. T. Health Science Center - San Antonio: Biosciences Initiative - Report of Execution of Documents Relating to Full Release of Lien on Texas Research and Technology Foundation Property.--

REPORT

In accordance with authority granted by the U. T. Board of Regents in February 1988, Chairman Evans reports that on October 19, 1998, he executed, on behalf of the Board, a Full Release of Lien that the Board holds on certain property in the Texas Research Park located in Bexar and Medina Counties, Texas.

This Lien was established through a Deed of Trust executed in April 1988 by Trustees of the Texas Research and Technology Trust to secure part of the financial commitment (\$6,000,000) of the Texas Research and Technology Foundation to the San Antonio Biosciences Initiative. The Foundation granted The University of Texas System a lien on approximately 712 acres of land in the Texas Research Park. A partial release of lien on 254 acres was approved by the U. T. Board of Regents in August 1993. The final monetary obligation of the Foundation has been fully satisfied in a timely fashion, and the Board's lien on the remaining 458 acres has now been released.

This payment in full by the Foundation is a part of the San Antonio Biosciences Initiative which resulted in the construction of the Hayden Head Building and the McDermott Clinical Science Building at the U. T. Health Science Center - San Antonio for which PUF Bond Proceeds were advanced with a commitment for repayment by the Texas Research and Technology Foundation.

M. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

REPORT

The Board for Lease of University Lands met on Wednesday, July 29, 1998, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, for a general business meeting and to award leases for Frontier Oil and Gas Lease Sale No. 93-A1. Bids were opened at the Center for Energy and Economic Diversification in Midland, Texas, on Tuesday, July 28, 1998.

Following is a report on the results of Frontier Oil and Gas Lease Sale No. 93-A1:

289,822.500 acres (414 tracts) of Permanent University Fund lands in Hudspeth County were leased, 705 total bids were received (414 high bids and 291 low bids), and bonuses in the amount of \$1,970,575 were paid.

Following is a report on the July 29, 1998, general business meeting:

- a. Approved the Minutes of the June 16, 1998, meeting of the Board for Lease

- b. Provided an update regarding Regular Oil and Gas Lease Sale No. 94 and Frontier Oil and Gas Lease Sale No. 94-A scheduled for Wednesday, November 18, 1998
- c. Discussed scheduling of working session of the Board for Lease regarding lease review.

The Board for Lease of University Lands met on Monday, September 28, 1998, on the ninth floor of Ashbel Smith Hall in Austin, Texas, for a general business meeting.

Following is a report on the September 28, 1998, general business meeting:

- a. Approved the Minutes of the July 29, 1998, meeting of the Board for Lease
- b. Approved change in bid basis for sour crude oil in the Oil Royalty In-Kind Program
- c. Approved new lease language describing when a reduced royalty rate is earned, adjusted periods for earning reduced royalty, and increased delay rentals to \$25/acre for years 4 and 5
- d. Discussed continuing the current semiannual lease sale schedule. No action necessary.

The next meeting of the Board for Lease of University Lands and lease awards for Regular Oil and Gas Lease Sale No. 94 and Frontier Oil and Gas Lease Sale No. 94-A is scheduled in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, on Wednesday, November 18, 1998. Bids will be opened at the Center for Energy and Economic Diversification in Midland, Texas, on Tuesday, November 17, 1998.

N. OTHER MATTERS

O. SCHEDULED EVENTS

Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
February 10-11, 1999	U. T. Austin
May 12-13, 1999	U. T. Pan American
August 11-12, 1999	U. T. Medical Branch - Galveston
November 10-11, 1999	U. T. Southwestern Medical Center - Dallas

P. OTHER BUSINESS

Q. ADJOURNMENT

# 1999

## JANUARY

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					1	2
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10	11	12	13	14	15	16
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31						

## FEBRUARY

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28						

## MARCH

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## APRIL

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## MAY

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23	24	25	26	27	28	29
30	31					

## JUNE

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## JULY

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## AUGUST

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29	30	31				

## SEPTEMBER

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## OCTOBER

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24	25	26	27	28	29	30
31						

## NOVEMBER

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28	29	30				

## DECEMBER

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# Executive Committee

EXECUTIVE COMMITTEE  
Committee Chairman Evans

Date: November 12, 1998

Time: Following the Reconvening of the Board of Regents  
at 9:00 a.m.

Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

Page  
Ex.C

There are no items to be considered by the Executive  
Committee for this meeting.

## **Business Affairs & Audit Committee**

BUSINESS AFFAIRS AND AUDIT COMMITTEE  
Committee Chairman Riter

Date: November 12, 1998  
Time: Following the Meeting of the Executive Committee  
Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

	<u>Page</u> <u>BAAC</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 95</u>	3
2. U. T. Board of Regents: Proposed Amendment to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee)	3
3. U. T. Board of Regents: Proposed Amendment to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter XII, Section 7, Subsection 7.1 (Busi- ness Participation)	4
4. U. T. System: Recommendation to Delegate Authority for Approval of Certain Personnel Actions and Amend the Requirements for Reporting in the Budget Section of the U. T. System Administration and Component Dockets Effective Immediately	6
5. U. T. System: Recommended Approval of the System-wide Internal Audit Plan for Fiscal Year 1998-99	7
6. U. T. System: Recommendation for Authoriza- tion to Amend the Policy on Utilization of Historically Underutilized Business (HUB) Firms	8

7. U. T. Austin: C. L. and Henriette F. Cline Senior Curator Endowment in British Literature in the Harry Ransom Humanities Research Center - Approval to Sell Property Located at 1401 Hardouin Avenue, Austin, Travis County, Texas, and Authorization to Execute All Documents Related Thereto 15
8. U. T. Tyler - Longview Higher Education Center: Findings of Fact Regarding Acquisition of Site; Authorization to Acquire 66.83 Acres of Land in Longview, Gregg County, Texas; Authorization to Exchange Land for a 51.72 Acre Tract of Land in Longview, Gregg County, Texas; Authorization to Execute All Documents Related Thereto; and Authorization to Submit the Acquisition of the 51.72 Acre Tract of Land to the Coordinating Board for Approval 16

INFORMATIONAL REPORTS

1. U. T. System: Progress Report on the Historically Underutilized Business (HUB) Program for Fiscal Year 1998 18
2. U. T. System: Discussion of the September 1998 Monthly Financial Report 18

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 95.--

RECOMMENDATION

It is recommended that Chancellor's Docket No. 95 be approved.

It is requested that the committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5, regarding the purchase from or sale to an officer or employee, be amended as set forth below in congressional style:

- Sec. 5. Purchase from or Sale to an Officer or Employee.--  
Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, or the Chancellor, as appropriate. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction or sales approved by the institutional chief administrative officer valued at \$5,000 or less [~~and to a purchase(s) of \$1,000 or less of artwork or other product(s) created or crafted by an employee if the work is to be displayed on campus or is to be an award or memento~~].

## BACKGROUND INFORMATION

Most items of surplus in the U. T. System are sold at public auctions. Many items of surplus have values less than \$5,000, such as outdated computer equipment that employees would like to purchase for home use. With this amendment to the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5, employees will be able to purchase surplus items directly from the University if the item is valued at \$5,000 or less.

3. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part Two, Chapter XII, Section 7, Subsection 7.1 (Business Participation).--

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter XII, Section 7, Subsection 7.1, regarding business participation, be amended as set forth below in congressional style:

### CHAPTER XII

#### INTELLECTUAL PROPERTY

. . .

#### Sec. 7. Business Participation.

- 7.1 Any System employee who conceives, creates, discovers, invents or develops intellectual property shall not serve as a member of the board of directors or other governing board or as an officer or an employee (other than as a consultant) of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property

without prior review and approval by the chief administrative officer of the component institution, the Chancellor and the Board [~~as an agenda item~~].

. . . .

#### BACKGROUND INFORMATION

Section 51.912 of the Texas Education Code provides a legal mechanism for addressing potential conflicts of interest that may arise when a university employee involved in the development or creation of licensed intellectual property acquires stock in or serves as a board member, officer, or key employee of a company. In exchange for permission to be involved with a company in this way, the employee and the institution of higher education must successfully manage the potential conflict of interest to reduce or eliminate the likelihood that actual conflicts will arise.

In the past, the U. T. Board of Regents' attention has been focused on the terms of the license agreement, rather than the plan to manage the potential conflict of interest. The proposed amendment to the Regents' Rules and Regulations, Part Two, Chapter XII, Section 7, Subsection 7.1 is part of a broader compliance effort and involves a more precise examination of the individual plan to prevent an actual conflict of interest.

Rather than require the U. T. Board of Regents to review each plan as an agenda item, it is recommended that a procedure be instituted that (1) defines conflicts of interest in this context; (2) provides information to employees and administrators about managing potential conflicts; (3) prescribes required actions in the event of a failure to manage a conflict; (4) requires a written certification from the employee to the institution's administration and from the administration to the appropriate U. T. System Administration officials outlining the steps each will take to mitigate risk; and (5) describes the approval process for the plans to manage conflicts of interest. Upon the recommendation of the Executive Vice Chancellor for Health Affairs or the Vice Chancellor for Academic Affairs, each plan to manage conflicts of interest will be submitted to the U. T. Board of Regents for approval via the institutional docket.

4. U. T. System: Recommendation to Delegate Authority for Approval of Certain Personnel Actions and Amend the Requirements for Reporting in the Budget Section of the U. T. System Administration and Component Dockets Effective Immediately.--

#### RECOMMENDATION

The Business Affairs and Audit Committee concurs in the recommendation of the Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Academic Affairs that authority for the approval of initial appointments, changes of title for non-tenured employees, and salary adjustments for all employees (including faculty with tenure) be delegated to the U. T. System Administration or the chief administrative officer with the concurrence of the appropriate Executive Vice Chancellor or Vice Chancellor, with such delegation effective upon approval by the U. T. Board of Regents. Currently, reports of initial appointments, changes of title, and salary adjustments for tenured faculty, those receiving tenure, and selected administrative staff (those reporting directly to a President, a Vice President, or equivalent) are included in the Budget Sections of the U. T. System Administration and component Dockets.

#### BACKGROUND INFORMATION

At the May 1996 meeting and upon the recommendation of the U. T. System Process Review Committee, chaired by Regent Lowell H. Lebermann, Jr., the U. T. Board of Regents agreed to delegate to U. T. System Administration or component officials the approval of a significant number of routine contractual and agreement matters which historically had required Regental approval via the Docket process. That delegation did not include budgetary matters involving tenured faculty and selected administrative personnel.

The Business Affairs and Audit Committee is now of the opinion that the additional step of docket approval of these individual appointments, salary adjustments, and changes of status

does not contribute added value to the current approval process which includes the component chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor. The Committee recommends the Docket reporting of these individual salary and promotion matters, with the exception of original appointment with tenure, award of tenure, promotion within tenured ranks, and change of salary or title for an institutional chief administrative officer be discontinued.

Since the Regents' Rules and Regulations require Regental approval of the initial award of tenure or any promotion within tenured ranks, these actions will continue to be reported in the Docket for approval. Primarily these will be "off-cycle" appointments and promotions since the majority of these actions are included in the Regental approval of each component's annual operating budget.

5. U. T. System: Recommended Approval of the System-wide Internal Audit Plan for Fiscal Year 1998-99.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Business Affairs and Audit Committee of the U. T. Board of Regents that the proposed U. T. System Internal Audit Plan for Fiscal Year 1998-99 be approved. The development of the Internal Audit Plan is based on a System-wide risk assessment. The implementation of the Plan will be coordinated with the institutional auditors. A copy of the U. T. System Administration and component institution Audit Plans and the Summarized Audit Plans are on file in the Office of the Board of Regents.

#### BACKGROUND INFORMATION

The individual institution's Audit Plans, which are compiled by the internal audit departments after receiving input and guidance from the institution's management and Internal Audit Committee, were submitted to the Internal Audit Committees and chief administrative officers for review and comments.

The individual Audit Plans were also reviewed by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, and the System Audit Director. Each of these individuals was given the opportunity for direct input into the development of the Plans. After the review process, the Internal Audit Committee at each component institution formally approved its institution's Plan.

The U. T. System Internal Audit Plans adequately address the risks of the U. T. System by planning audits as follows:

	<u>Audit Hours</u>	<u>Percent of Total Hours</u>
Key Financial and Operating Information	35,885	22%
Institutional Compliance Audits	17,360	11%
Information Technology Audits	21,350	13%
Risk-Based Audits & Other Activities	60,570	38%
Departmental Audits	<u>24,822</u>	<u>16%</u>
Total	<u>159,987</u>	<u>100%</u>

The Business Affairs and Audit Committee reviewed the individual Plans at its October 6, 1998 meeting and recommends approval.

6. U. T. System: Recommendation for Authorization to Amend the Policy on Utilization of Historically Underutilized Business (HUB) Firms.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Academic Affairs that the U. T. System Policy on Utilization of Historically Underutilized Business (HUB) Firms (approved by the U. T. Board of Regents in November 1995) be amended as set out in congressional style on Pages BAAC 9 - 14.

## BACKGROUND INFORMATION

The proposed amendments to the U. T. System Policy on Utilization of Historically Underutilized Business (HUB) Firms clarify statements of purpose, scope, and procedure and reflect changes in the U. T. System Administration organizational structure.

### POLICY ON UTILIZATION OF HISTORICALLY UNDERUTILIZED BUSINESS (HUB) FIRMS

#### I. POLICY STATEMENT

##### A. Purpose

It is the policy of The University of Texas System to promote full and equal opportunity for all businesses to provide the goods and services needed to support mission, administrative, and logistical operations of U. T. System Administration and U. T. System component institutions. U. T. System Administration and component institutions commit to a good faith effort to increase purchases and contract awards with Historically Underutilized Business (HUB) firms consistent with the state's goals for HUB participation and overall [~~social advancement and~~] economic development [~~prosperity~~].

##### B. Scope

This policy applies to acquisition of commodities, professional and other services, and construction specified by object code by U. T. System Administration and component institutions, including auxiliary enterprises, regardless of funding source (treasury or non-treasury funds).

##### C. Definitions

1. "Historically Underutilized Business" means a business enterprise, which is defined as a Form of Historically Underutilized Business in C.3 below, formed for the purpose of making a profit and which is owned by one or more

persons who: (a) are members of certain Socially Disadvantaged Groups and who have suffered the effects of discriminatory practices or similar insidious circumstances over which they have no control, and (b) have a proportionate interest and demonstrate active participation in the control, operation, and management of the enterprise's affairs.

2. "Socially Disadvantaged Groups" mean and include:

- (a) Black Americans - includes persons having origins in any of the Black racial groups of Africa;
- (b) Hispanic Americans - includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;
- (c) American Women - includes all women of any ethnicity except American Women specified in (a), (b), (d), and (e) of this subparagraph;
- (d) Asian Pacific Americans - includes persons whose origins are in Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U. S. Trust Territories of the Pacific, the Northern Marianas, and Subcontinent Asian Americans which includes persons whose origins are from India, Pakistan, Bangladesh, Sri Lanka, Bhutan or Nepal; and
- (e) Native Americans - includes persons who are American Indians, Eskimos, Aleuts, or Native Hawaiians.

3. "Forms of Historically Underutilized Business Enterprises" mean and include:

- (a) A corporation in which at least 51% of all classes of the shares of stock or other equitable securities are owned by one or more persons described in C.2 above;

- (b) A sole proprietorship that is 100% owned by a person described in C.2 above;
  - (c) A partnership in which at least 51% of the assets and interests in the partnership are [~~is~~] owned by one or more persons described in C.2 above;
  - (d) A joint venture in which each entity in the joint venture is an historically underutilized business;
  - (e) A supplier contract between an historically underutilized business and a prime contractor under which the historically underutilized business is directly involved in the manufacture or distribution of the supplies or materials or otherwise warehouses and ships the supplies; and
  - (f) A business, other than described in subparagraphs (a) through (e) above, which is a legally recognized business organization under the laws of the State of Texas, provided that at least 51% of the assets and interest and 51% of any classes of stock and equitable securities are owned by one or more persons described in C.2 above.
4. "Commodities" mean materials, supplies, or equipment.
  5. "Professional Services" mean services procured under provisions of the Professional Services Procurement Act (Subchapter A, Chapter 2254, Texas Government Code).
  6. "Other Services" mean all services, other than construction and professional services, including consulting services procured under provisions of Subchapter B, Chapter 2254, Texas Government Code.

7. "Construction" means construction, improvement, maintenance, or repair of buildings, roads, highways, or grounds.
8. "Treasury Funds" are funds maintained in the state treasury and paid through the State Comptroller's Office for U. T. System Administration or a component institution.
9. "Non-Treasury Funds" are all funds paid by U. T. System Administration or a component institution that are not deposited in the state treasury.

II. U. T. SYSTEM ADMINISTRATION AND COMPONENT INSTITUTION RESPONSIBILITIES

A. U. T. System Administration

1. The Chancellor, with support from and delegation to the Executive Vice Chancellor for Health [~~Academic~~] Affairs and the [~~Executive~~] Vice Chancellor for Academic [~~Health~~] Affairs, exercises oversight responsibility for implementation of policies outlined herein by the U. T. System as a whole[7]. The Chancellor [~~and~~] is responsible for policy implementation in U. T. System Administration.
2. The Executive Vice Chancellor for Business Affairs provides functional staff expertise and support, and advises the Chancellor, the Executive Vice Chancellor for Health [~~Academic~~] Affairs, and the [~~Executive~~] Vice Chancellor for Academic [~~Health~~] Affairs regarding all phases of the HUB program.

B. U. T. System Component Administration

The Chief Administrative Officer (CAO) of each component institution is responsible for implementation of policies and procedures promulgated herein at his/her institution. CAOs shall develop strategic and action plans necessary for effective implementation of the HUB program.

### III. PROCEDURES

- A. Specify an operating division structure (line and block diagram with necessary explanatory narrative/notes) for the purpose of defining responsibility and accountability for achieving HUB program goals and objectives. Include that structure in strategic and action plans required by Section II.B above.
- B. Establish a staff coordinating group (SCG), chaired by the Chief Business Officer, to provide functional staff expertise, advice, and counsel regarding implementation of all aspects of the HUB program. Organization of the SCG shall include the directors, or comparable supervisors, of budget, accounting, purchasing, information services, and physical plant functions, and HUB coordinators. Other staff representation may be added at the discretion of the Chief Administrative Officer.
- C. Establish an outreach program designed to contact and maintain continuous liaison with the local/regional HUB business community. Two major objectives of this program are (1) to become knowledgeable of HUB firms capable of supplying needed materials, supplies, equipment, and services, and (2) to inform the HUB business community of business opportunities with component institutions and of requisite business processes and procedures.
- D. Establish internal programs designed to educate and provide functional staff expertise to operating division heads, who exercise budget expenditure authority. All staff engaged in daily procurement operations must be knowledgeable of and vigorously implement HUB program goals, objectives, strategies, and action plans.
- E. Develop and maintain a HUB utilization reporting system. Compile monthly data by operating division; compile data sufficient to satisfy reporting requirements of the General Services Commission (GSC) and to provide internal program management information [~~produce output and outcome measures specified in institutional strategic plans,~~

~~including output/outcome measures by ethnic/gender divisions of HUB firms].~~ Reports submitted to the GSC and to U. T. System Administration (sub-paragraph H below) shall be certified by the Chief Administrative Officer or the Chief Business Officer.

- F. Utilize and supplement, as appropriate, purchasing rules and regulations published by the GSC in support of HUB objectives.
- G. Establish a system to monitor individual buyer performance as it relates to institutional HUB program goals and objectives.
- H. Report progress toward HUB program objectives as requested by U. T. System Administration.

7. U. T. Austin: C. L. and Henriette F. Cline Senior Curator Endowment in British Literature in the Harry Ransom Humanities Research Center - Approval to Sell Property Located at 1401 Hardouin Avenue, Austin, Travis County, Texas, and Authorization to Execute All Documents Related Thereto.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, and President Faulkner that authorization be given for the U. T. System Real Estate Office, on behalf of U. T. Austin, to sell the single family residential property located at 1401 Hardouin Avenue in Austin, Travis County, Texas. The property will be marketed through a competitive offer process and sold with all remaining minerals for the best offer at or above its appraised value.

This property was received as a gift by deed dated December 21, 1984, from Dr. and Mrs. Clarence L. (Henriette) Cline who reserved a life estate in the property. The net sale proceeds from the sale of the property will be added to the C. L. and Henriette F. Cline Senior Curator Endowment in British Literature in the Harry Ransom Humanities Research Center at U. T. Austin.

It is further recommended that the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary, advisable, or proper to carry out the purpose and intent of the foregoing recommendation.

#### BACKGROUND INFORMATION

Dr. Clarence L. Cline joined the U. T. Austin faculty in 1938 after receiving his Ph.D. in English from U. T. Austin that same year. He became a professor of English in 1952 and was designated an Ashbel Smith Professor Emeritus in 1975. Dr. Cline was a former chairman of the Department of English and was a member of The Chancellor's Council and The President's Associates. Subject to a life estate, Dr. Cline and

his wife donated their personal residence for the benefit of U. T. Austin on December 21, 1984. The U. T. Board of Regents accepted the gift at its meeting on December 5, 1985. The life estate terminated at Dr. Cline's death on July 19, 1998.

8. U. T. Tyler - Longview Higher Education Center: Findings of Fact Regarding Acquisition of Site; Authorization to Acquire 66.83 Acres of Land in Longview, Gregg County, Texas; Authorization to Exchange Land for a 51.72 Acre Tract of Land in Longview, Gregg County, Texas; Authorization to Execute All Documents Related Thereto; and Authorization to Submit the Acquisition of the 51.72 Acre Tract of Land to the Coordinating Board for Approval.--

#### RECOMMENDATION

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

- a. The necessity for acquisition of the proposed site for a new campus for the U. T. Tyler Longview Higher Education Center is of paramount public importance
- b. The proposed project cannot be practically accomplished in any other way.

It is further recommended that:

- a. The Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to take all steps necessary to execute all documents required to acquire the two tracts of land listed below, following approval of the Office of General Counsel:

- (1) A 66.83 acre tract of land in Longview, Gregg County, Texas, known as the Quail Farm Tract, from the Longview Economic Development Corporation, to be exchanged for the campus site

- (2) A 51.72 acre tract of land in Longview, Gregg County, Texas, known as the Hinsley Park North Tract, to be the site of the campus of the U. T. Tyler Longview Higher Education Center.
- b. U. T. Tyler be authorized to submit the acquisition of the 51.72 acre tract to the Texas Higher Education Coordinating Board for approval.

#### BACKGROUND INFORMATION

The 75th Session of the Texas Legislature authorized the construction of a branch campus of U. T. Tyler to be known as the Longview Higher Education Center. Following an extensive review of available sites, a 51.72 acre tract of park land in Longview, known as the Hinsley Park North Tract, was selected to be the location of the new campus. The City of Longview (the "City") owns the land. State law, as interpreted in Attorney General Opinion No. DM-441 (1997), does not permit the City to donate the site to the U. T. Board of Regents (the "Board"). In addition to indicating that the City may not make a gift of land to the Board, the Opinion also sets forth detailed criteria which must be followed if the City wishes to convey the land by other means to the Board. The Opinion stipulates that the Board, as a body with eminent domain authority, must make a finding "that the necessity to establish a U. T. campus in Longview is of paramount public importance and the campus cannot be practically accomplished in any other way." The City must make similar findings.

Because of the significant economic benefits anticipated from the University Center project, the Longview Economic Development Corporation (LEDCO) has offered, as an economic development incentive, to convey to the Board 66.83 acres of land, known as the Quail Farm Tract. In return, a formal economic development incentive agreement between LEDCO and the University will be part of the package. Once accepted by the Board, the Quail Farm Tract will be exchanged for the Hinsley Park property from the City. Discussions have been initiated with

the Office of the Attorney General to verify that the Longview Economic Development Corporation has the authority to convey the land to the Board.

It is anticipated that the closings will occur and the land for the campus will be acquired on or about February 1, 1999.

See related Item 6 on Page FPCC - 27.

#### INFORMATIONAL REPORTS

1. U. T. System: Progress Report on the Historically Underutilized Business (HUB) Program for Fiscal Year 1998.--

#### REPORT

Mr. Lewis Wright, Associate Vice Chancellor for Business Affairs, will present a progress report on the U. T. System Historically Underutilized Business (HUB) Program for Fiscal Year 1998.

2. U. T. System: Discussion of the September 1998 Monthly Financial Report.--

#### REPORT

Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, will discuss the September 1998 Monthly Financial Report for the U. T. System.

# Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE  
Committee Chairman Lebermann

Date: November 12, 1998  
Time: Following the Meeting of the Business Affairs and  
Audit Committee  
Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

	<u>Page</u> <u>AAC</u>
1. U. T. Austin: Request for Authorization to Charge Nonresident Tuition Rates to Graduate Students Exceeding 99 Doctoral Hours for Students Enrolling Under the Fall 1999 or Subsequent Catalogs (Catalog Change)	2
2. U. T. Austin: Recommendation for Approval to Establish The University of Texas at Austin Texas Memorial Museum Advisory Council	3
3. U. T. Austin: Recommendation to Reopen the Tower (Observation Deck) of the Main Building	3
4. U. T. San Antonio: Request for Authorization to Establish a Master of Science Degree in Justice Policy and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)	4

1. U. T. Austin: Request for Authorization to Charge Nonresident Tuition Rates to Graduate Students Exceeding 99 Doctoral Hours for Students Enrolling Under the Fall 1999 or Subsequent Catalogs (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Academic Affairs and President Faulkner that the U. T. Board of Regents authorize U. T. Austin to charge a tuition rate that is higher than the regular tuition rate but that does not exceed the statutory nonresident tuition rate to graduate students who accumulate in excess of 99 doctoral hours. Such tuition rates would apply only to graduate students who enroll under the Fall 1999 or subsequent catalogs.

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

#### BACKGROUND INFORMATION

Section 54.066 of the Texas Education Code, which was passed by the 75th Texas Legislature in 1997, authorizes the governing board of an institution of higher education to charge a resident doctoral student tuition at the rate charged a nonresident doctoral student if the resident student has more semester credit hours of doctoral work than allowed for purposes of state funding for the current state fiscal biennium. Section 61.059(1) of the Texas Education Code, also enacted in 1997, directs the Coordinating Board to withhold formula funding, with certain exceptions, for doctoral students who have a total of 100 or more semester credit hours of doctoral work at an institution of higher education.

The proposed authorization to allow U. T. Austin to charge nonresident tuition rates for doctoral hours in excess of 99 will permit U. T. Austin to recover a portion of the lost formula funding.

2. U. T. Austin: Recommendation for Approval to Establish The University of Texas at Austin Texas Memorial Museum Advisory Council.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Academic Affairs, the Vice Chancellor for Development and External Relations, and President Faulkner that approval be given to establish The University of Texas at Austin Texas Memorial Museum Advisory Council, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the advisory councils of a component institution.

#### BACKGROUND INFORMATION

The mission of The University of Texas at Austin Texas Memorial Museum Advisory Council will be to foster improvement in the quality of collection-based research, education, and outreach of the Texas Memorial Museum. The Advisory Council's objectives will include assisting the Museum to achieve distinction as a premier research and exhibit museum; identify sources of private funding for exhibits, preservation of collections, and educational and research programs; and facilitate relationships with leaders in Texas and beyond to benefit the Museum.

The Council will be composed of no more than 30 regular members who will be appointed for one to three-year, staggered terms.

3. U. T. Austin: Recommendation to Reopen the Tower (Observation Deck) of the Main Building.--

A plan to reopen the Tower (Observation Deck) of the Main Building at U. T. Austin is currently under consideration. It is anticipated that a proposal will be available for recommendation by President Faulkner at the November 1998 meeting of the U. T. Board of Regents.

ACADEMIC AFFAIRS COMMITTEE

SUPPLEMENTAL MATERIAL

NOVEMBER 12, 1998

3. U. T. Austin: Recommendation to Reopen the Tower (Observation Deck) of the Main Building.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Academic Affairs and President Faulkner that the U. T. Board of Regents approve a proposal to reopen the Tower (Observation Deck) of the Main Building at U. T. Austin.

BACKGROUND INFORMATION

In response to a request in April 1998 from a group of student leaders, a special committee was appointed to consider reopening of the Tower (Observation Deck) of the Main Building at U. T. Austin. Upon consideration of the issues of safety, access for visitors with disabilities, management, required renovations, and associated costs, the committee produced a plan for reopening the Observation Deck.

Costs associated with the proposal include capital costs in the range of \$450,000 to \$500,000 for installation of a physical barrier, modifications to provide wheelchair access, elevator control modifications, and refurbishment of various public areas. The annual operating cost associated with tour operations is estimated to be in the range of \$86,000. An admission fee will be charged to defray these costs. The fee is anticipated to be about \$5 or \$6 for the general public and a reduced cost for U. T. Austin students.

An individual with a national reputation in ironwork design and construction will be engaged to design, construct and install a physical barrier consistent with the historical context of the Main Building. It is anticipated that a final design and method for installation of the barrier will be presented to the U. T. Board of Regents at the February 1999 meeting.

It is projected that tours of the Observation Deck will begin on or near the date of Spring 1999 commencement. Certain portions of the operation may be scheduled for student tours and groups such as giving priority to graduating seniors.

4. U. T. San Antonio: Request for Authorization to Establish a Master of Science Degree in Justice Policy and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Academic Affairs and President Kirkpatrick that authorization be granted to establish a Master of Science degree in Justice Policy at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for approval. The proposed degree program is consistent with U. T. San Antonio's Table of Programs as approved by the U. T. Board of Regents and with institutional plans 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

U. T. San Antonio proposes to offer a 36 semester credit hour Master of Science degree in Justice Policy. The intent of the program is to produce planners, program implementers, and managers for the criminal justice system who have an ability to establish policies and procedures based upon knowledge acquired through systematic research. The curriculum includes a 15 semester credit hour core and a six semester credit hour thesis option. A minimum of six semester credit hours in related social science disciplines is required. The program will be offered at the U. T. San Antonio Downtown Campus near San Antonio-based criminal justice system institutions.

#### Need and Student Demand

While there are master's programs in criminology, criminal justice administration, or corrections at other public universities in Texas, there is no master's program offered in a location and at a price and time which is convenient for the several hundred professionals employed by the criminal justice

system in San Antonio. St. Mary's University, a private university, is the only local institution to offer a program in the immediate region.

A survey of criminal justice personnel in the San Antonio metropolitan area generated responses from 350 professionals who already hold a bachelor's degree. Of those responding, 206 indicated U. T. San Antonio would be their first choice for graduate-level education. U. T. San Antonio anticipates the program, when fully implemented, will have 25 full-time and 35 part-time students enrolled each year.

#### Program Quality

U. T. San Antonio currently has seven full-time faculty members who teach in the undergraduate criminal justice program. All of these faculty have terminal degrees and appropriate scholarly experience. As the program grows, U. T. San Antonio intends to add four additional faculty and redistribute the undergraduate and graduate teaching load.

The faculty have developed a curriculum which is based upon the application of research and research methods in the development and implementation of policy. The curriculum includes required courses in research methods and in policy formulation and implementation.

#### Cost

At full implementation, the program is estimated to cost \$260,000 per year and to generate most of that income from formula funding.

#### Summary

U. T. San Antonio proposes to establish a Master of Science degree in Justice Policy. The program would be designed to serve primarily local students, especially those employed in the justice system in San Antonio. The seven full-time faculty who currently teach in the undergraduate program in criminal justice have the knowledge and scholarly experience necessary to offer the program. Over a period of five years, the enrollment is expected to grow to approximately 25 full-time students and 35 part-time students and necessitate the addition of four additional faculty who would share in the responsibility for teaching in the undergraduate and graduate programs.

A copy of the proposal for the Master of Science degree in Justice Policy at U. T. San Antonio is on file in the U. T. System Office of Academic Affairs.

# Health Affairs Committee

HEALTH AFFAIRS COMMITTEE  
Committee Chairman Loeffler

Date: November 12, 1998  
Time: Following the Meeting of the Academic Affairs  
Committee  
Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

	<u>Page</u>
	<u>HAC</u>
1. U. T. Southwestern Medical Center - Dallas: Recommendation for Approval for Individual to Acquire Equity in and to Serve as a Member of the Scientific Advisory Board of Mantex Biotech, Inc., Dallas, Texas	2
2. U. T. Health Science Center - Houston: Proposal to Designate Regental Professor	5
3. U. T. Health Center - Tyler: Recommendation for Approval to Appoint George A. Hurst, M.D., Director Emeritus	6
 <u>INFORMATIONAL REPORT</u>	
U. T. Health Institutions: Presentation on Telemedicine	7

1. U. T. Southwestern Medical Center - Dallas: Recommendation for Approval for Individual to Acquire Equity in and to Serve as a Member of the Scientific Advisory Board of Mantex Biotech, Inc., Dallas, Texas.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that the U. T. Board of Regents approve the acquisition of equity in and service as a member of the Scientific Advisory Board of Mantex Biotech, Inc., Dallas, Texas, by Eric N. Olson, Ph.D., Professor and Chairman of the Department of Molecular Biology and Oncology at U. T. Southwestern Medical Center - Dallas.

#### BACKGROUND INFORMATION

Dr. Eric N. Olson, Professor and Chairman, and Dr. Jeffrey Molkenin, formerly a Postdoctoral Fellow, of the Department of Molecular Biology and Oncology at U. T. Southwestern Medical Center - Dallas and Dr. Steven Grant, Assistant Professor at the University of North Texas Health Science Center at Fort Worth, have created the following inventions (collectively the "Invention(s)") in the field of cardiovascular disease, specifically in the prevention of cardiac hypertrophy: (1) a transgenic mouse line which, as the result of over-expression of the transgene product calcineurin, develops cardiac hypertrophy; (2) several transgenic mouse lines which, as the result of over-expression of their respective transgene products (egYY1), are resistant to cardiac hypertrophy; (3) cultured cardiac myocyte cell lines that undergo biochemical changes that mimic the changes of hypertrophy of cardiac myocytes in vivo; (4) use of the inventions of (1) and (3) above as methods of screening substances having therapeutic activity toward prevention of cardiac hypertrophy; and (5) methods of treating cardiac hypertrophy including administration of cyclosporin A and SK506.

Under a proposed patent license agreement, Mantex Biotech, Inc. is granted a royalty-bearing, exclusive worldwide license to make, have made, use, offer to sell, sell and import the Invention(s). The provisions of this exclusive license have been reviewed and approved pursuant to the U. T.

Board of Regents' Rules and Regulations by the chief administrative officer or designee and the Office of General Counsel. As consideration for the exclusive license, Mantex Biotech, Inc. will pay the U. T. Board of Regents annual license fees, milestone payments and running royalties, and will reimburse patent expenses and support continued research in Dr. Olson's laboratory. Additionally, this proposed license agreement includes sublicense provisions and standard language indemnifying the U. T. Board of Regents.

Within 30 days following execution of the proposed patent license agreement, Mantex Biotech, Inc. shall issue common stock equal to 14.4% of the total number of issued, authorized and outstanding shares of common stock of Mantex Biotech, Inc. to the U. T. Board of Regents, Dr. Olson, and Dr. Molquentin in the following ratios: 7.2% to the U. T. Board of Regents, 4.8% to Dr. Olson, and 2.4% to Dr. Molquentin.

Dr. Molquentin's acquisition of equity in Mantex Biotech, Inc. does not raise a conflict of interest issue because he is no longer an employee of U. T. Southwestern Medical Center - Dallas.

U. T. Southwestern Medical Center - Dallas has developed the following measures to eliminate the likelihood that actual conflicts of interest will arise with regard to Dr. Olson. As required by Texas Education Code, Section 51.912(b), and the U. T. Board of Regents' Rules and Regulations, Part Two, Chapter XII, Sections 6.2 and 7.1, Dr. Olson has provided U. T. Southwestern Medical Center - Dallas with a disclosure of all potential conflicts of interest (both financial and arising through his proposed role as a member of the Scientific Advisory Board) that might emanate from the terms of the proposed patent license agreement.

In view of Dr. Olson's disclosure, U. T. Southwestern Medical Center - Dallas has determined that a license to a faculty-owned company is appropriate since the activities of Mantex Biotech, Inc. involve applied research and the potential discovery and manufacturing of diagnostic and/or pharmaceutical agents useful in the treatment of cardiac hypertrophy, whereas Dr. Olson's laboratory performs basic research. Specifically, under the terms and financial support of the proposed sponsored research agreement derivative to this patent license agreement, Dr. Olson shall restrict his university-based research to further definition of the basic cellular and molecular mechanisms by which cardiac hypertrophy occurs.

Additionally, U. T. Southwestern Medical Center - Dallas has implemented a management strategy to minimize the risk of a future conflict of interest. Under this plan, Dr. Olson will submit written descriptions of ongoing and planned research conducted in his laboratory to both Perrie M. Adams, Ph.D., Associate Dean for Research and co-chair of the Conflict of Interest Committee, and Dennis K. Stone, M.D., Vice President for Technology Development at U. T. Southwestern Medical Center - Dallas, for review of any potential conflicts of interest pertinent to the terms of the license agreement. All such projects will require approval by Drs. Adams and Stone. These written descriptions will be in the form of required annual reports for all agencies and entities currently providing research funding to Dr. Olson's laboratory (including Mantex Biotech, Inc. under the terms of the sponsored research agreement), as well as any new research proposals soliciting funding from public and private agencies. If Dr. Adams or Dr. Stone determines that performance of a specific research project would result in an actual conflict of interest pertinent to the terms of the license agreement, Dr. Olson will be required to either modify his research plan such that it is deemed by Drs. Adams and Stone to no longer create a conflict of interest or transfer the portions of research that have been found to create a conflict of interest to an independent investigator.

Further assurance that a conflict of interest will not develop is evidenced by Dr. Olson acquiring less than 5% of the outstanding shares in Mantex Biotech, Inc.; thus Dr. Olson has not received disproportionate compensation relative to the standard share of equity he might receive for technology licensed to a similar company.

The proposed arrangement is consistent with Section 51.912 of the Texas Education Code and corresponding provisions of the U. T. System Intellectual Property Policy. Pursuant to Part Two, Chapter XII, Subsections 6.2 and 7.1 of the Regents' Rules and Regulations, approval by the U. T. Board of Regents is necessary for Dr. Olson to acquire equity in and serve on the Scientific Advisory Board of Mantex Biotech, Inc.

The review process used by U. T. Southwestern Medical Center - Dallas in processing this recommendation follows proposed guidelines for future review to be implemented upon approval of a minor amendment to the Regents' Rules and Regulations as set out in Item 3 on Page BAAC - 40.

2. U. T. Health Science Center - Houston: Proposal to Designate Regental Professor.--

RECOMMENDATION

On October 12, 1998, a member of the faculty of the U. T. Health Science Center - Houston was awarded the Nobel Prize in Physiology or Medicine. In recognition of this prestigious achievement, it is recommended that the U. T. Board of Regents award Ferid Murad, M.D., Ph.D., the title of Regental Professor.

It is also recommended that the U. T. Board of Regents provide \$500,000 from the Permanent University Fund (PUF) over the next five years to further the research efforts of this Nobel Laureate. Professor Murad will be granted \$100,000 annually from these PUF funds, \$50,000 for general programmatic and research support and \$50,000 for equipment purchases. These annual grants will be from funds controlled by the U. T. Board of Regents.

BACKGROUND INFORMATION

The designation of Regental Professor is in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.86, which states that a faculty member who is awarded the Nobel Prize may be given the title of Regental Professor.

Dr. Ferid Murad, Chairman of the Department of Integrative Biology, Pharmacology and Physiology at the U. T. Health Science Center - Houston, has been named winner of the 1998 Nobel Prize in Physiology or Medicine. He shares the Nobel Prize with Dr. Robert F. Furchgott, a pharmacologist at the State University of New York, and Dr. Louis J. Ignarro from the University of California - Los Angeles. Dr. Murad and his colleagues discovered new uses for nitric oxide, a colorless, odorless gas that signals blood vessels to relax and widen, which in turn lowers blood pressure. The discovery has a wide range of possible applications, including treating heart disease and shock.

Dr. Murad received his undergraduate degree from DePauw University and his medical and doctorate degrees from Case Western Reserve University. He joined the U. T. Health Science Center - Houston in 1997.

Dr. Murad is the seventh Nobel Laureate within the U. T. System.

3. U. T. Health Center - Tyler: Recommendation for Approval to Appoint George A. Hurst, M.D., Director Emeritus.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs that authorization be granted to appoint George A. Hurst, M.D., Director Emeritus of The University of Texas Health Center at Tyler effective January 5, 1999.

#### BACKGROUND INFORMATION

Dr. Hurst began a medical career at the East Texas Chest Hospital in 1964. The East Texas Chest Hospital joined The University of Texas System in 1977 as the U. T. Health Center - Tyler. When Dr. Hurst first arrived at the pulmonary hospital, the institution consisted of a few physicians, 300 employees, a \$10 million budget, and a physical plant comprised of army barracks and hospital ward buildings. Today, the U. T. Health Center - Tyler is the largest state employer in East Texas with facilities valued at more than \$100 million, and it has over 100 highly qualified physicians and scientists investigating some of the nation's most pressing health problems.

Under the direction of Dr. Hurst, the Ambulatory Care Center opened in 1996 and enables the U. T. Health Center - Tyler to meet the needs of the region's growing population.

Dr. Hurst's commitment to medical education has led to the creation of two medical residency programs. The Family Practice Residency is a competitive program that works to

place its graduates in areas of East Texas that have a shortage of physicians. The Occupational Medicine Residency Program is one of only two such residencies in the State.

Dr. Hurst not only provided outstanding leadership for the U. T. Health Center - Tyler but also for the community. He was awarded the Tyler Man of the Year Award in 1998.

Dr. Hurst retired from the position of Director of the U. T. Health Center - Tyler effective January 5, 1998, and has announced plans to fully retire from the institution on January 4, 1999.

#### INFORMATIONAL REPORT

U. T. Health Institutions: Presentation on Telemedicine.--

#### REPORT

Officials from the U. T. health institutions, under the direction of Mr. Lawrence Jones, Chair of the U. T. System Telehealth Committee, will make a presentation on clinical telemedicine services. The presentation will consist of the following segments:

- a. Real Time Application by Steve Viegas, M.D., Professor and Chief of Division of Hand Surgery, Department of Orthopedic Surgery, and Chairman of the U. T. Medical Branch - Galveston Telemedicine Task Force
- b. Store and Forward Applications by Mitchell Morris, M.D., Professor, Department of Gynecologic Oncology, and Vice President for Information Services and Healthcare Systems, U. T. M.D. Anderson Cancer Center
- c. Legal and Financial Issues Affecting Telemedicine by T. Howard Stone, LL.M., Assistant Professor and Research Director, Institute for the Medical Humanities, U. T. Medical Branch - Galveston

- d. Summary of U. T. Health Institutions  
Telemedicine Activities by Mr. Lawrence  
Jones, Director of Telemedicine, U. T.  
M.D. Anderson Cancer Center.

**Facilities, Planning & Construction  
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE  
Committee Chairman Clements

Date: November 12, 1998  
Time: Following the Meeting of the Health Affairs  
Committee  
Place: Ballroom, Charles A. LeMaistre Conference Center  
U. T. M.D. Anderson Cancer Center

Page  
FPCC

1. U. T. Austin - New Psychology & Child  
Development Building (Project No. 102-922):  
Request for Approval of Design Development  
Plans; 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 4
2. U. T. Austin - Parking Garage No. 4B: Request  
for Project Redesignation and Approval of  
Preliminary Project Cost 9
3. U. T. Dallas - Waterview Park Apartments  
Phase VII: Request to Amend the FY 1998-2003  
Capital Improvement Program and the FY 1998  
and FY 1999 Capital Budget to Include Project;  
Approval of Design Development Plans; 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 10

4. U. T. Permian Basin - Library/Lecture Center Stage of the Library/Lecture Center, Visual Arts Studios, and Information Resources Facilities Project (Project No. 501-966): Request for Approval of Design Development Plans; 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 16
5. U. T. San Antonio - Recreation/Wellness Center (Project No. 401-958): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation and Expenditure of Funds; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity 21
6. U. T. Tyler - Longview Higher Education Center (Project No. 802-949): Request for Approval of Design Development Plans; 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 27
7. U. T. Southwestern Medical Center - Dallas - North Campus Expansion - Phase III (Project No. 303-859): Request for Incorporation of the North Campus Expansion - Phase III Finish Out into the North Campus Expansion - Phase III and Approval of Total Project Cost 31
8. U. T. Southwestern Medical Center - Dallas - Radiation Oncology Center: Request to Amend the FY 1998-2003 Capital Improvement Program and FY 1998 and FY 1999 Capital Budget to Include Project 32
9. U. T. Medical Branch - Galveston - BSL-4 Laboratory Facility: Request to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project 34

10. U. T. Health Science Center - Houston - Nursing and Biomedical Sciences Building (Project No. 701-967): Request to Approve Preliminary Project Cost and Appropriate Funds 35
11. U. T. M.D. Anderson Cancer Center - Hospital Food Service Kitchen Renovation: Request to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project and Appropriation of Funds 37
12. U. T. M.D. Anderson Cancer Center - Mid-Campus Land Acquisitions: Request for Authorization to (a) Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project; (b) Appropriate Funds Therefor; (c) Acquire Certain Land Parcels; (d) Seek Legislative Action to Create a Real Estate Acquisition District; (e) Submit the Purchases to the Coordinating Board for Approval; and (f) Execute All Documents Related Thereto 38

1. U. T. Austin - New Psychology & Child Development Building (Project No. 102-922): Request for Approval of Design Development Plans; 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 Vice Chancellor for Academic Affairs, and President Faulkner that the U. T. Board of Regents:

- a. Approve design development plans for the New Psychology & Child Development Building at U. T. Austin
- b. Approve a total project cost of \$41,200,000
- c. Appropriate funds and authorize expenditure of \$12,500,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System, \$17,500,000 from Designated Tuition Funds, and \$11,200,000 from Gifts and Grants.

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, 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 FPCC - 7, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any 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. 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 in the amount of \$12,500,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

#### BACKGROUND INFORMATION

The New Psychology & Child Development Building project at U. T. Austin is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of \$40,000,000.

The New Psychology & Child Development Building will be home to the Department of Psychology in the College of Liberal Arts and also home for the Child Development and Family Relationships program within the Department of Human Ecology in the College of Natural Sciences. Currently, the two groups are in several different buildings on and off campus. The new facility will bring the individual functions to a single location.

The project consists of a new building of approximately 175,000 gross square feet with provisions for future horizontal expansion. The building will contain faculty offices, high-tech wet and dry labs, a psychology clinic, early childhood teaching facilities, family interaction labs, conference and library rooms, and support facilities.

The approved facility program for this project determined that a project cost of \$41,200,000 would be required to accomplish the desired project scope with the additional \$1,200,000 to be funded from Gifts and Grants.

The 75th Session of the Texas Legislature authorized \$12,500,000 of tuition bonds to be issued for U. T. Austin. No additional tuition bond authority will remain for U. T. Austin after the issuance of the tuition bonds for this project. The debt service coverage for the \$12,500,000 Tuition Revenue Bonds is reflected on Page FPCC - 8. This project financing assumes interim financing at a 4% interest rate for a portion of FY 1999 and a 6% fixed interest rate for 20 years with the fixed rate borrowing to occur in FY 2000.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget for the New Psychology & Child Development Building at U. T. Austin at a total project cost of \$41,200,000, with funding of \$12,500,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System, \$17,500,000 from Designated Tuition Funds, and \$11,200,000 from Gifts and Grants.

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 New Psychology & Child Development Building at U. T. Austin, 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, and the Seventh Supplemental Resolution.

EXECUTED this 7 day of October, 1998

Pamela K. Clayton  
Assistant Vice Chancellor for Finance

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

	Actual			Forecast					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 01	FY 02	FY 03
Available Revenues	3,526.4	3,767.5	3,900.3	4,037.1	4,078.6	4,197.8	4,277.2	4,374.6	4,435.0
Operating Expenses	(3,316.9)	(3,436.1)	(3,657.7)	(3,807.5)	(3,849.9)	(3,917.0)	(4,003.0)	(4,080.6)	(4,164.4)
Net Revenues Available for Debt Service	209.5	331.4	242.6	229.6	228.7	280.8	274.2	294.0	270.6
Other Mandatory Transfers	(3.3)	(17.1)	(1.8)	(1.3)	(2.2)	(3.0)	(3.9)	(3.8)	(3.8)
Debt Service:									
Non - Tuition Related	(38.5)	(41.7)	(51.8)	(64.1)	(83.4)	(94.7)	(96.5)	(94.3)	(93.7)
<b>Tuition Debt Service</b>									
Bonds issued prior to 1993	(10.3)	(9.4)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	0.0
South Texas Border Initiative Debt	0.0	(6.9)	(14.0)	(13.7)	(13.7)	(13.1)	(13.1)	(13.1)	(13.0)
Debt Authorized by 75th Legislature									
Approved by BOR 8/97 (renov)-\$43.9 mil				(0.6)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Approved by BOR 2/98-\$6.05 mil				(0.1)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Approved by BOR 5/98-\$5 mil				(0.01)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Approved by BOR 8/98-\$7 mil					(0.56)	(0.56)	(0.56)	(0.56)	(0.56)
Recommended to BOR 11/98-\$32.35 mil					(0.65)	(2.82)	(2.82)	(2.82)	(2.82)
Remaining Tuition Project Financing					(1.6)	(7.5)	(14.5)	(14.5)	(14.5)
<b>TOTAL DEBT SERVICE</b>	<b>(48.8)</b>	<b>(58.0)</b>	<b>(73.5)</b>	<b>(86.2)</b>	<b>(111.7)</b>	<b>(130.4)</b>	<b>(139.2)</b>	<b>(137.0)</b>	<b>(128.6)</b>
Debt Service Coverage Without Tuition Bonds (x)	5.0	5.6	4.5	3.5	2.7	2.9	2.7	3.0	2.8
Debt Service Coverage With Tuition Bonds (x)	4.0	4.4	3.2	2.6	2.0	2.1	1.9	2.1	2.0

FPCC - 8

2. U. T. Austin - Parking Garage No. 4B: Request for Project Redesignation and Approval of Preliminary Project Cost.--

#### RECOMMENDATION

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

- a. Redesignate the Parking Garage No. 4B project at U. T. Austin as Parking Garage 4B and Office Building
- b. Approve a preliminary project cost of \$21,600,000, with funding of \$12,700,000 from Designated Tuition and \$8,900,000 from Revenue Financing System Bond Proceeds.

#### BACKGROUND INFORMATION

The Parking Garage No. 4B project at U. T. Austin is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of \$5,000,000. In January 1997, the architectural firm of Overland Partners was appointed to provide programming and basic design services for the project titled Office Building and Parking Garage No. 4A. At the request of U. T. Austin, Overland Partners also completed a space planning study for a four-building complex comprised of two office buildings and two parking garages (Parking Garage 4A and Parking Garage 4B), to be placed on the north end of the U. T. Austin campus North Quadrangle area. This study was done to achieve a cohesive complex of buildings that functionally interface and complement one another.

Following the study, U. T. Austin decided to proceed with the design and construction of only one of the buildings, Parking Garage No. 4A. At its meeting in May 1998, the U. T. Board

of Regents redesignated the Office Building and Parking Garage No. 4A project as Parking Garage No. 4A and approved design development plans and a total project cost of \$9,200,000 for the now singular building project.

U. T. Austin has now decided to proceed with completing the facility program, design, and construction of Parking Garage 4B and Office Building under one procurement.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to redesignate the U. T. Austin Parking Garage No. 4B project as Parking Garage 4B and Office Building at a preliminary project cost of \$21,600,000, with funding of \$12,700,000 from Designated Tuition and \$8,900,000 from Revenue Financing System Bond Proceeds.

3. U. T. Dallas - Waterview Park Apartments Phase VII: Request to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project; Approval of Design Development Plans; 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 Vice Chancellor for Academic Affairs, and President Jenifer that the U. T. Board of Regents:

- a. Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Waterview Park Apartments Phase VII project at U. T. Dallas
- b. Approve design development plans for the project
- c. Approve a total project cost of \$4,300,000

- d. Appropriate funds and authorize expenditures of \$4,300,000, consisting of \$3,200,000 from previous Land Sale Proceeds and up to \$1,100,000 from future Land Sale Proceeds or Revenue Financing System Bond Proceeds for total project funding.

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, 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 FPCC - 13, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any 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. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$1,100,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

## BACKGROUND INFORMATION

U. T. Dallas currently has 890 apartments with a capacity of approximately 2,680 beds. As the campus grows, student housing continues to be an important need. The Waterview Park Apartments Phase VII at U. T. Dallas will add approximately 300 beds, which will address the demand for additional student housing for two to three years. The project will be constructed using a design/build contract, pursuant to the alternate project delivery methods authorized by Senate Bill 583 enacted by the 75th Texas Legislature.

A compressed completion schedule is being considered because of the need for the project to be ready for occupancy in August 1999. If approved, the project will proceed in a manner similar to the recently completed Waterview Park Apartments Phase VI (originally Student Housing Phase VI) project.

The debt is intended to provide interim financing of \$1,100,000 for construction of the Waterview Park Apartments Phase VII project until such time that collections are made from the sale of surplus lands as part of the U. T. Dallas Lands Program. Upon collection of land sale proceeds, the debt will be retired. However, if the collections from land sales do not materialize, the debt will be amortized over a 20-year period. The analysis has assumed the issuance of \$1,100,000 of debt and is reflected on Pages FPCC 14 - 15.

Construction is projected to commence in January 1999, with completion anticipated in August 1999. Debt service during construction is estimated at \$12,375, assuming a 4.5% interest rate, and will be paid from Auxiliary Enterprise Reserve Funds. Upon completion of the project, the annual debt service is projected to be \$95,903 based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage for the facility is expected to be 6.0 times. The financing forecast for this project is set forth on Pages FPCC 14 - 15.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Waterview Park Apartments Phase VII project at U. T. Dallas at a total project cost of \$4,300,000, with funding of \$3,200,000 from previous Land Sale Proceeds, and up to \$1,100,000 from future Land Sale Proceeds or Revenue Financing System Bond Proceeds.

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 cost of the Waterview Park Apartments Phase VII at U. T. Dallas, 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, and the Seventh Supplemental Resolution.

EXECUTED this 7 day of October, 1998

Pamela K. Clayton  
Assistant Vice Chancellor for Finance

**The University of Texas at Dallas  
Waterview Park Apartments Phase VII**

**Project Level (Actual \$)**

	Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Net Rental Income	0	0	718,000	739,500	762,000	785,000
Application and Transfer Fee Income	0	0	17,000	17,500	18,000	18,500
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>735,000</b>	<b>757,000</b>	<b>780,000</b>	<b>803,500</b>
Operating Expenses (Administration, Maintenance, Utilities)	0	0	(180,000)	(185,000)	(191,000)	(197,000)
Other Expenses	0	0	(4,000)	(4,000)	(4,200)	(4,400)
<b>Funds Available for Debt Service</b>	<b>0</b>	<b>0</b>	<b>551,000</b>	<b>568,000</b>	<b>584,800</b>	<b>602,100</b>
Debt Service	<b>0</b>	<b>(12,375)</b>	<b>(49,500)</b>	<b>(95,903)</b>	<b>(95,903)</b>	<b>(95,903)</b>
Transfer to Scholarship Programs	0	0	(371,410)	(443,771)	(459,563)	(475,825)
Change in Fund Balance	0	(12,375)	130,090	28,326	29,334	30,372
Ending Fund Balance	0	(12,375)	117,715	146,041	175,375	205,746
<b>Debt Service Coverage</b>	n.a.	n.a.	11.1	5.9	6.1	6.3

**Campus Level: (\$ in millions)**

	Actual			Forecast					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Beg. Fund Balance	14.0	15.2	19.6	20.7	22.2	20.9	22.6	24.8	30.1
Total Current Unrestricted Revenues	65.5	73.4	73.8	87.5	90.6	94.3	95.3	99.2	99.7
Total Current Unrestricted Expenditures	(61.2)	(65.4)	(70.5)	(82.6)	(87.3)	(88.2)	(89.0)	(89.9)	(90.8)
Net Revenues	4.3	8.0	3.3	4.9	3.3	6.1	6.3	9.3	8.9
Debt Service	(2.0)	(2.3)	(2.6)	(2.9)	(4.1)	(3.9)	(3.6)	(3.5)	(3.1)
Other Mand. Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mand. Transfers	(2.0)	(2.3)	(2.6)	(2.9)	(4.1)	(3.9)	(3.6)	(3.5)	(3.1)
Non-Mand. Transfers	(0.4)	0.4	0.6	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Adjustments	(0.7)	(1.7)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Inc./(Dec.) for Year	1.2	4.4	1.1	1.5	(1.3)	1.7	2.2	5.3	5.3
End. Fund Balance	15.2	19.6	20.7	22.2	20.9	22.6	24.8	30.1	35.4
<b>Debt Service Coverage</b>	<b>2.2</b>	<b>3.5</b>	<b>1.3</b>	<b>1.7</b>	<b>0.8</b>	<b>1.6</b>	<b>1.8</b>	<b>2.7</b>	<b>2.9</b>
<b>Debt Service to Operating Expenses</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>3.5%</b>	<b>4.7%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>3.4%</b>

**The University of Texas at Dallas  
Waterview Park Apartments Phase VII**

<u>U.T. System (\$ in millions)</u>	<u>Actual</u>			<u>Forecast</u>					
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Available Revenues	3,526.4	3,767.5	3,900.3	4,037.1	4,078.6	4,197.8	4,277.2	4,374.6	4,435.0
Operating Expenses	(3,316.9)	(3,436.1)	(3,657.7)	(3,807.5)	(3,849.9)	(3,917.0)	(4,003.0)	(4,080.6)	(4,164.4)
Net Available for Debt Serv.	209.5	331.4	242.6	229.6	228.7	280.8	274.2	294.0	270.6
Other Mandatory Transfers	(3.3)	(17.1)	(1.8)	(1.3)	(2.2)	(3.0)	(3.9)	(3.8)	(3.8)
Debt Service	(48.8)	(58.0)	(73.5)	(86.2)	(111.1)	(127.6)	(136.4)	(134.2)	(125.8)
<b>Debt Service Coverage</b>	<b>4.0</b>	<b>4.4</b>	<b>3.2</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>
<b>Debt Service to Operating Expenses</b>	<b>1.5%</b>	<b>1.7%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.1%</b>

4. U. T. Permian Basin - Library/Lecture Center Stage of the Library/Lecture Center, Visual Arts Studios, and Information Resources Facilities Project (Project No. 501-966): Request for Approval of Design Development Plans; 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 Vice Chancellor for Academic Affairs, and President Sorber that the U. T. Board of Regents:

- a. Approve design development plans for the Library/Lecture Center Stage of the Library/Lecture Center, Visual Arts Studios, and Information Resources Facilities project at U. T. Permian Basin
- b. Approve a total project cost for this stage of \$15,850,000
- c. Appropriate funds and authorize expenditure of \$15,850,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System for total project funding.

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, 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 FPCC - 19, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any 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. 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 in the amount of \$15,850,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

#### BACKGROUND INFORMATION

The Library/Lecture Center Stage of the Library/Lecture Center, Visual Arts Studios, and Information Resources Facilities project at U. T. Permian Basin is included in the FY 1998-2003 Capital Improvement Program and FY 1998 and FY 1999 Capital Budget at a total project cost of \$15,850,000, with funding from Tuition Revenue Bond Proceeds.

The Library/Lecture Center will be a new facility of approximately 79,000 gross square feet, constructed to replace the existing J. Conrad Dunagan Library in the original Mesa Building. It will also provide two new lecture halls with a total seating capacity of 300. The lecture halls will be shared by all academic departments.

Space in the existing library is inadequate to support the current enrollment, according to standards of the Association of College and Research Libraries (ACRL), and is less than 50% of the square footage per student recommended by the Texas Higher Education Coordinating Board.

Currently, U. T. Permian Basin does not have a lecture room that seats more than 73 students. With the need for larger classes resulting from the 1991 legislative conversion of U. T. Permian Basin to a four-year institution, this deficiency creates inefficiencies in the scheduling of classes and deployment of faculty. Space in the Mesa Building cannot be converted into larger classrooms because of support column spacing.

Site development will include planned pedestrian areas, vehicular access and circulation, and parking for approximately 90 vehicles.

The 75th Session of the Texas Legislature authorized \$26,500,000 of Tuition Revenue Bonds to be issued for U. T. Permian Basin. The U. T. Board of Regents has previously approved \$10,650,000 of Tuition Revenue Bonds for U. T. Permian Basin. The debt service coverage for the \$15,850,000 Tuition Revenue Bonds is reflected on Page FPCC - 20. This project financing assumes interim financing at a 4% interest rate for a portion of FY 1999 and a 6% fixed interest rate for 20 years, with the fixed rate borrowing to occur in FY 2000.

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 Library/Lecture Center Stage of the Library/Lecture Center, Visual Arts Studios, and Information Resources Facilities at U. T. Permian Basin, 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, and the Seventh Supplemental Resolution.

EXECUTED this 7 day of October, 1998

Pamela K. Clayton  
Assistant Vice Chancellor for Finance

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

	Actual			Forecast					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 01	FY 02	FY 03
Available Revenues	3,526.4	3,767.5	3,900.3	4,037.1	4,078.6	4,197.8	4,277.2	4,374.6	4,435.0
Operating Expenses	(3,316.9)	(3,436.1)	(3,657.7)	(3,807.5)	(3,849.9)	(3,917.0)	(4,003.0)	(4,080.6)	(4,164.4)
Net Revenues Available for Debt Service	209.5	331.4	242.6	229.6	228.7	280.8	274.2	294.0	270.6
Other Mandatory Transfers	(3.3)	(17.1)	(1.8)	(1.3)	(2.2)	(3.0)	(3.9)	(3.8)	(3.8)
Debt Service:									
Non - Tuition Related	(38.5)	(41.7)	(51.8)	(64.1)	(83.4)	(94.7)	(96.5)	(94.3)	(93.7)
<b>Tuition Debt Service</b>									
Bonds issued prior to 1993	(10.3)	(9.4)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	0.0
South Texas Border Initiative Debt	0.0	(6.9)	(14.0)	(13.7)	(13.7)	(13.1)	(13.1)	(13.1)	(13.0)
Debt Authorized by 75th Legislature									
Approved by BOR 8/97 (renov)-\$43.9 mil				(0.6)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Approved by BOR 2/98-\$6.05 mil				(0.1)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Approved by BOR 5/98-\$5.5 mil				(0.01)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Approved by BOR 8/98-\$7 mil					(0.56)	(0.56)	(0.56)	(0.56)	(0.56)
Recommended to BOR 11/98-\$32.35 mil					(0.65)	(2.82)	(2.82)	(2.82)	(2.82)
Remaining Tuition Project Financing					(1.6)	(7.5)	(14.5)	(14.5)	(14.5)
<b>TOTAL DEBT SERVICE</b>	<b>(48.8)</b>	<b>(58.0)</b>	<b>(73.5)</b>	<b>(86.2)</b>	<b>(111.7)</b>	<b>(130.4)</b>	<b>(139.2)</b>	<b>(137.0)</b>	<b>(128.6)</b>
Debt Service Coverage Without Tuition Bonds (x)	5.0	5.6	4.5	3.5	2.7	2.9	2.7	3.0	2.8
Debt Service Coverage With Tuition Bonds (x)	4.0	4.4	3.2	2.6	2.0	2.1	1.9	2.1	2.0

FPCC - 20

5. U. T. San Antonio - Recreation/Wellness Center (Project No. 401-958): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation and Expenditure of Funds; 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 Vice Chancellor for Academic Affairs, and President Kirkpatrick that the U. T. Board of Regents:

- a. Approve design development plans for the Recreation/Wellness Center at U. T. San Antonio
- b. Approve a total project cost of \$14,375,000
- c. Appropriate funds and authorize expenditure of \$13,775,000 from Revenue Financing System Bond Proceeds and \$600,000 from the Recreational Facility Fee Balance.

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, 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 FPCC - 24, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any 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 amount of \$13,775,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

#### BACKGROUND INFORMATION

The Recreation/Wellness Center project at U. T. San Antonio is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of \$14,375,000. This project will be dedicated to providing quality programs and services in the areas of recreation, wellness, intramurals, sports, and child care. The Recreation/Wellness Center project consists of the construction of two new buildings: the Recreation/Wellness Center and the Child Care Center, totaling approximately 98,000 gross square feet.

The Recreation/Wellness Center building will contain approximately 85,000 gross square feet and provide facilities for a variety of activities, including basketball, volleyball, aerobics, weight lifting, racquetball, wall climbing, and fitness programs. The Center will house facilities for the coordination of the campus intramural program and will provide health care programs and services to U. T. San Antonio students and, as feasible, to faculty and staff.

The Child Care Center building will contain approximately 13,000 gross square feet with an adjacent outdoor playground area and will provide quality child care needs to U. T. San Antonio students, faculty, and staff. Alumni and members of the greater San Antonio community may access the services on a fully paid, space available basis.

The debt is to be repaid from the recreational facility fee, designated tuition, and revenues generated by the facilities. The recreational facility fee is \$1 per semester credit hour with a maximum fee of \$30 per semester through FY 2000. With the projected opening of the facility in FY 2001, the recreational facility fee will increase to \$5 per semester credit hour with a maximum fee of \$30 per semester. Annual debt service during the construction period is projected to be \$619,875, assuming a 4.5% short-term borrowing rate. When the facility is open for use in FY 2001, the annual debt service is projected to be \$1,200,967 based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage for the facility is expected to be 1.2 times. The financing forecast for this project is set forth on Pages FPCC 25 - 26.

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 Recreation/Wellness Center 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, and the Seventh Supplemental Resolution.

EXECUTED this 7 day of October, 1998

Pamela K. Clayton  
Assistant Vice Chancellor for Finance

**The University of Texas at San Antonio  
Recreation and Wellness Center**

	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Rec/Wellness Fee Per Semester Credit Hr			\$1/\$30	\$1/\$30	\$1/\$30	\$1/\$30	\$5/\$30	\$5/\$30	\$5/\$30
Fiscal Year Semester Credit Hours			391,831	403,609	416,700	424,752	432,993	441,430	449,981

Project Level (Actual \$)	Actual			Forecast					
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Rec/Wellness Center Beg Fund Bal	0	0	0	599,605	1,191,565	1,815,808	1,453,102	1,154,136	1,350,677
Rec/Wellness Fee Collections	0	0	389,605	402,372	416,700	424,752	1,243,655	1,267,925	1,292,560
Other Revenues	0	0	0	0	0	0	280,000	285,000	290,000
Tuition Designated Transfer			210,000	210,000	560,000	560,000	430,000	430,000	430,000
Total Rec/Wellness Revenues	0	0	599,605	612,372	976,700	984,752	1,953,655	1,982,925	2,012,560
Rec/Wellness Expenses	0	0	0	(20,412)	(107,000)	(127,583)	(551,654)	(585,417)	(620,718)
Funds Available for Debt Service	0	0	599,605	591,960	869,700	857,169	1,402,001	1,397,508	1,391,842
Debt Service	0	0	0	0	(245,457)	(619,875)	(1,200,967)	(1,200,967)	(1,200,967)
Transfer to Plant Funds						(600,000)	(500,000)		
Change in Fund Balance	0	0	599,605	591,960	624,243	(362,706)	(298,966)	196,541	190,875
Ending Fund Balance	0	0	599,605	1,191,565	1,815,808	1,453,102	1,154,136	1,350,677	1,541,551
<b>Debt Service Coverage</b>	n.a.	n.a.	n.a.	n.a.	3.5	1.4	1.2	1.2	1.2

Campus Level: (\$ in millions)	Actual			Forecast					
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Beg. Fund Balance	6.5	7.2	11.5	14.1	22.9	26.5	25.5	27.1	27.8
Total Current Unrestricted Revenues	87.0	95.8	100.1	117.2	120.2	125.9	133.7	137.2	138.6
Total Current Unrestricted Expenditures	(80.5)	(84.9)	(91.8)	(100.7)	(106.8)	(113.3)	(118.1)	(122.6)	(125.4)
Net Revenues	6.5	10.9	8.3	16.5	13.4	12.6	15.6	14.6	13.2
Debt Service	(3.5)	(4.4)	(4.9)	(5.9)	(8.1)	(11.5)	(12.4)	(12.3)	(11.2)
Other Mand. Transfers	0.0	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Mand. Transfers	(3.5)	(4.4)	(4.9)	(6.0)	(8.2)	(11.6)	(12.5)	(12.4)	(11.3)
Non-Mand. Transfers	(2.1)	(1.5)	0.5	(1.5)	(1.4)	(1.9)	(1.3)	(1.3)	(1.3)
Adjustments	(0.2)	(0.7)	(1.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Inc./(Dec.) for Year	0.7	4.3	2.7	8.8	3.6	(1.1)	1.6	0.7	0.4
End. Fund Balance	7.2	11.5	14.1	22.9	26.5	25.5	27.1	27.8	28.2
<b>Debt Service Coverage</b>	1.9	2.5	1.7	2.8	1.6	1.1	1.3	1.2	1.17
<b>Debt Service to Operating Expenses</b>	4.3%	5.2%	5.3%	5.9%	7.6%	10.2%	10.5%	10.0%	8.9%

**The University of Texas at San Antonio  
Recreation and Wellness Center**

U.T. System (\$ in millions)

	Actual			Forecast					
	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Available Revenues	3,526.4	3,767.5	3,900.3	4,037.1	4,078.6	4,197.8	4,277.2	4,374.6	4,435.0
Operating Expenses	(3,316.9)	(3,436.1)	(3,657.7)	(3,807.5)	(3,849.9)	(3,917.0)	(4,003.0)	(4,080.6)	(4,164.4)
Net Available for Debt Serv.	209.5	331.4	242.6	229.6	228.7	280.8	274.2	294.0	270.6
Other Mandatory Transfers	(3.3)	(17.1)	(1.8)	(1.3)	(2.2)	(3.0)	(3.9)	(3.8)	(3.8)
Debt Service	(48.8)	(58.0)	(73.5)	(86.2)	(111.1)	(127.6)	(136.4)	(134.2)	(125.8)
<b>Debt Service Coverage</b>	<b>4.0</b>	<b>4.4</b>	<b>3.2</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>
<b>Debt Service to Operating Expenses</b>	<b>1.5%</b>	<b>1.7%</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.1%</b>

6. U. T. Tyler - Longview Higher Education Center (Project No. 802-949): Request for Approval of Design Development Plans; 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 Vice Chancellor for Academic Affairs, and President Mabry that the U. T. Board of Regents:

- a. Approve design development plans for the U. T. Tyler Longview Higher Education Center
- b. Approve a total project cost of \$5,000,000
- c. Appropriate funds and authorize expenditure of \$4,000,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System and \$1,000,000 from Gifts and Grants for total project funding.

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, 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 FPCC - 29, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any 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. 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 in the aggregate amount of \$4,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

#### BACKGROUND INFORMATION

The U. T. Tyler Longview Higher Education Center is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of \$5,000,000. It will provide approximately 24,000 gross square feet of new construction in Longview, Texas, to house network-ready classrooms, technology library, faculty and support staff offices, network file servers, and interactive video access. Site development will include planned pedestrian areas, vehicular access and circulation, parking for approximately 200 vehicles, and infrastructure development.

The 75th Session of the Texas Legislature authorized \$9,500,000 of Tuition Revenue Bonds to be issued for U. T. Tyler. The U. T. Board of Regents has previously approved \$5,500,000 of the total \$9,500,000 to be issued for U. T. Tyler. The debt service coverage for the \$4,000,000 Tuition Revenue Bonds is reflected on Page FPCC - 30. This project financing assumes interim financing at a 4% interest rate for a portion of FY 1999 and a 6% fixed interest rate for 20 years with the fixed rate borrowing to occur in FY 2000.

See related Item 8 on Page BAAC - 16.

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 U. T. Tyler Longview Higher Education 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, and the Seventh Supplemental Resolution.

EXECUTED this 7 day of October, 1998

Pamela K. Clayton  
Assistant Vice Chancellor for Finance

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

	Actual			Forecast					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 01	FY 02	FY 03
Available Revenues	3,526.4	3,767.5	3,900.3	4,037.1	4,078.6	4,197.8	4,277.2	4,374.6	4,435.0
Operating Expenses	(3,316.9)	(3,436.1)	(3,657.7)	(3,807.5)	(3,849.9)	(3,917.0)	(4,003.0)	(4,080.6)	(4,164.4)
Net Revenues Available for Debt Service	209.5	331.4	242.6	229.6	228.7	280.8	274.2	294.0	270.6
Other Mandatory Transfers	(3.3)	(17.1)	(1.8)	(1.3)	(2.2)	(3.0)	(3.9)	(3.8)	(3.8)
Debt Service:									
Non - Tuition Related	(38.5)	(41.7)	(51.8)	(64.1)	(83.4)	(94.7)	(96.5)	(94.3)	(93.7)
<b>Tuition Debt Service</b>									
Bonds issued prior to 1993	(10.3)	(9.4)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	(7.7)	0.0
South Texas Border Initiative Debt	0.0	(6.9)	(14.0)	(13.7)	(13.7)	(13.1)	(13.1)	(13.1)	(13.0)
Debt Authorized by 75th Legislature									
Approved by BOR 8/97 (renov)-\$43.9 mil				(0.6)	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Approved by BOR 2/98-\$6.05 mil				(0.1)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Approved by BOR 5/98-\$5 mil				(0.01)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Approved by BOR 8/98-\$7 mil					(0.56)	(0.56)	(0.56)	(0.56)	(0.56)
Recommended to BOR 11/98-\$32.35 mil					(0.65)	(2.82)	(2.82)	(2.82)	(2.82)
Remaining Tuition Project Financing					(1.6)	(7.5)	(14.5)	(14.5)	(14.5)
<b>TOTAL DEBT SERVICE</b>	<b>(48.8)</b>	<b>(58.0)</b>	<b>(73.5)</b>	<b>(86.2)</b>	<b>(111.7)</b>	<b>(130.4)</b>	<b>(139.2)</b>	<b>(137.0)</b>	<b>(128.6)</b>
Debt Service Coverage Without Tuition Bonds (x)	5.0	5.6	4.5	3.5	2.7	2.9	2.7	3.0	2.8
Debt Service Coverage With Tuition Bonds (x)	4.0	4.4	3.2	2.6	2.0	2.1	1.9	2.1	2.0

FPCC - 30

7. U. T. Southwestern Medical Center - Dallas - North Campus Expansion - Phase III (Project No. 303-859): Request for Incorporation of the North Campus Expansion - Phase III Finish Out into the North Campus Expansion - Phase III and Approval of Total Project Cost.--

#### RECOMMENDATION

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

- a. Incorporate the North Campus Expansion - Phase III Finish Out project into the North Campus Expansion - Phase III project (The Seay Biomedical Building) at U. T. Southwestern Medical Center - Dallas
- b. Approve a total project cost of \$80,000,000.

#### BACKGROUND INFORMATION

The U. T. Southwestern Medical Center - Dallas North Campus Expansion - Phase III project (The Seay Biomedical Building) is currently under construction and is expected to be completed in November 1999. The North Campus Expansion - Phase III Finish Out project received design development approval, approval of a total project cost of \$28,000,000, and appropriation of funds of \$21,000,000 from Revenue Financing System Bond Proceeds and \$7,000,000 from Tuition Revenue Bonds in August 1998. The construction documents for the Finish Out project are in the process of being completed.

The scope of the Finish Out project work consists of interior construction of five floors of The Seay Biomedical Building, including two floors assigned to Cancer Center Clinics. It is a strategically important objective for the interior finish out of the two Cancer Center Clinic floors to be completed in January 2000. The only feasible approach to meet this objective is to combine the North Campus Expansion - Phase III project and the North Campus Expansion - Phase III Finish Out

project. This action will provide the flexibility to cover all work in one construction contract in order to meet the January 2000 objective.

The North Campus Expansion - Phase III project and the North Campus Expansion - Phase III Finish Out project at U. T. Southwestern Medical Center - Dallas are included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget with project costs of \$52,000,000 and \$28,000,000, respectively.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to revise the total project cost of the North Campus Expansion - Phase III project to \$80,000,000, with funding of \$29,900,000 from Revenue Financing System Bond Proceeds, \$20,000,000 from Permanent University Fund Bond Proceeds, \$10,100,000 from Gifts and Grants, and \$20,000,000 from Tuition Revenue Bonds. In addition, the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget will be amended to delete the U. T. Southwestern Medical Center - Dallas North Campus Expansion - Phase III Finish Out project.

8. U. T. Southwestern Medical Center - Dallas - Radiation Oncology Center: Request to Amend the FY 1998-2003 Capital Improvement Program and FY 1998 and FY 1999 Capital Budget to Include Project.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Radiation Oncology Center project at U. T. Southwestern Medical Center - Dallas at a preliminary project cost of \$10,000,000, with funding from Hospital and Contract Revenues.

## BACKGROUND INFORMATION

The North Campus Expansion - Phase III project (The Seay Biomedical Building) at U. T. Southwestern Medical Center - Dallas is currently under construction and is expected to be completed in November 1999. Included in this building is a Comprehensive Cancer Center. The administration of U. T. Southwestern Medical Center - Dallas determined the success of the Cancer Center was dependent upon the functional integration of radiation therapy facilities. Previous negotiations with a third party to construct and operate a Radiation Oncology Center (including proton therapy) near the North Campus have been unsuccessful. Therefore, the construction and operation of the proposed facility will be accomplished without third party assistance as an addition to The Seay Biomedical Building.

The proposed new Radiation Oncology Center will be added to the east end of The Seay Biomedical Building and integrated with other Cancer Center facilities. Design of The Seay Biomedical Building, approved at the August 8, 1996 meeting of the U. T. Board of Regents, includes provisions for the possible addition of a radiation therapy facility. The radiation facility will include four treatment bays, appropriate support treatment and planning space, and offices for the Department of Radiation Oncology. The building is planned to incorporate approximately 30,000 gross square feet, with a project cost of approximately \$10,000,000.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Radiation Oncology Center at U. T. Southwestern Medical Center - Dallas at a preliminary project cost of \$10,000,000, with funding from Hospital and Contract Revenues.

9. U. T. Medical Branch - Galveston - BSL-4 Laboratory Facility: Request to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project.--

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Stobo that the U. T. Board of Regents amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the BSL-4 Laboratory Facility at the U. T. Medical Branch - Galveston at a preliminary project cost of \$7,500,000 from Gifts and Grants.

#### BACKGROUND INFORMATION

During the past decade, the U. T. Medical Branch - Galveston has developed a strong program in infectious disease research. Several faculty have research interests in emerging and reemerging infectious diseases, including those caused by biosafety level 4 (BSL-4) agents. Consequently, the U. T. Medical Branch - Galveston is in the position of having an internationally recognized group of emerging infectious disease researchers at a time when this subject is of critical public health importance and interest.

For the U. T. Medical Branch - Galveston to continue making important discoveries impacting health through infectious disease research and training and to take full advantage of the many new funding opportunities in the area of emerging diseases, the University must develop a BSL-4 Laboratory Facility that can handle such infectious agents.

The BSL-4 Laboratory Facility project at the U. T. Medical Branch - Galveston will include the construction of a three-story addition to the existing Keiller Building as well as some renovation work within the building to accommodate the addition. The combination of new work and renovation work will be less than 12,000 gross square feet. The cost of the project is anticipated to be \$7,500,000, and this funding has been secured from The Sealy & Smith Foundation.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the BSL-4 Laboratory Facility project at the U. T. Medical Branch - Galveston at a preliminary project cost of \$7,500,000, with funding from Gifts and Grants.

10. U. T. Health Science Center - Houston - Nursing and Biomedical Sciences Building (Project No. 701-967): Request to Approve Preliminary Project Cost and Appropriate Funds.--

#### RECOMMENDATION

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

- a. Approve a preliminary project cost for the Nursing and Biomedical Sciences Building at the U. T. Health Science Center - Houston of \$63,700,000, with funding of \$10,000,000 from Gifts and Grants, \$17,500,000 from Tuition Revenue Bond Proceeds, \$32,500,000 from Revenue Financing System Bond Proceeds, and \$3,700,000 from Institutional Funds
- b. Appropriate \$3,700,000 from Institutional Funds and \$3,000,000 from Gifts and Grants.

#### BACKGROUND INFORMATION

The Nursing and Biomedical Sciences Building project at the U. T. Health Science Center - Houston is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of \$60,000,000. Included in this project cost is \$3,000,000 of funds allotted for renovation work to the Speech and Hearing Institute Building. Upon further review, it has been determined that this amount is sufficient to complete renovation of the infrastructure of the building but does not allow for renovation of the entire facility.

The Nursing and Biomedical Sciences Building project will be completed in two stages. The first stage will be the renovation of the Speech and Hearing Institute at an estimated project cost of \$6,700,000. Completion of the renovation of the Speech and Hearing Institute Building will accomplish two main objectives. First, it will enable the relocation of the Human Genetics Center out of the Graduate School of Biomedical Sciences, clearing the way for the demolition of that building and subsequent construction of the new Nursing and Biomedical Sciences Building on that site. Second, completion of this renovation work will serve to accommodate the growth of the Medical School's funded research.

The second stage will be the new Nursing and Biomedical Sciences Building at an estimated project cost of \$57,000,000. Because of the interdependency of these two stages of work, both stages will be executed under one construction manager-at-risk contract.

Appropriation of \$6,700,000 is necessary at this time in order to complete the Stage 1 renovation work. The proposed project schedule will require the Chancellor's approval of design development documents and authorization to expend funds prior to February 1999.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget for the Nursing and Biomedical Sciences Building at U. T. Health Science Center - Houston at a preliminary project cost of \$63,700,000, with funding of \$10,000,000 from Gifts and Grants, \$17,500,000 from Tuition Revenue Bond Proceeds, \$32,500,000 from Revenue Financing System Bond Proceeds, and \$3,700,000 from Institutional Funds.

11. U. T. M.D. Anderson Cancer Center - Hospital Food Service Kitchen Renovation: Request to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project and Appropriation of Funds.--

#### RECOMMENDATION

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

- a. Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Hospital Food Service Kitchen Renovation at U. T. M.D. Anderson Cancer Center
- b. Appropriate funds of \$1,200,000 from Hospital Revenues for total project funding.

#### BACKGROUND INFORMATION

The existing kitchen at U. T. M.D. Anderson Cancer Center was constructed approximately 26 years ago. The design was based upon traditional hospital food service and inpatient populations for that time. The new concepts of food service now need to be incorporated into the kitchen design, along with general renovation and repair work. The Hospital Food Service Kitchen Renovation project will include installing new kitchen equipment and updating some existing equipment, installing gas service, installing new ceiling grid and tile, patching and recoating the epoxy floor, installing new sinks, and reworking the fire alarm and sprinkler system.

The University of Texas System Office of Health Affairs and the Office of Facilities Planning and Construction agree with the recommendations of U. T. M.D. Anderson Cancer Center's administration that this renovation project be managed by U. T. M.D. Anderson Cancer Center and that the project be authorized to proceed as allowed by the U. T. Board of

Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.1, relating to Minor Construction and Repair and Rehabilitation Projects.

Approval of this item will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Hospital Food Service Kitchen Renovation at U. T. M.D. Anderson Cancer Center at a total project cost of \$1,200,000, with funding from Hospital Revenues.

12. U. T. M.D. Anderson Cancer Center - Mid-Campus Land Acquisitions: Request for Authorization to (a) Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to Include Project; (b) Appropriate Funds Therefor; (c) Acquire Certain Land Parcels; (d) Seek Legislative Action to Create a Real Estate Acquisition District; (e) Submit the Purchases to the Coordinating Board for Approval; and (f) Execute All Documents Related Thereto.--

#### RECOMMENDATION

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

- a. Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include a project entitled Mid-Campus Land Acquisitions for U. T. M.D. Anderson Cancer Center
- b. Appropriate \$6,500,000 from Institutional Funds of U. T. M.D. Anderson Cancer Center to fund the land acquisitions
- c. Authorize the acquisition of strategic land parcels (see Exhibit A on Pages FPCC 41 - 42) at fair market value, as determined by an independent fair market appraisal, when the parcels become available and offered for sale

- d. Grant approval to seek legislative action that will create a real estate acquisition district for U. T. M.D. Anderson Cancer Center
- e. Grant approval to submit the land acquisitions to the Texas Higher Education Coordinating Board for approval, if necessary
- f. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to take all steps necessary to acquire the property, to execute all documents, instruments, and other agreements related to such acquisitions, and to take all such actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

#### BACKGROUND INFORMATION

At its meetings in December 1989, April 1990, and February 1995, the U. T. Board of Regents authorized the acquisition of various noncontiguous tracts of real property totaling 23.29 acres located between Braeswood Road and Old Spanish Trail in Houston, Harris County, Texas. This acreage was authorized for purchase to provide U. T. M.D. Anderson Cancer Center with a long-term expansion area and to create a transportation corridor to the 105 acres located south of Old Spanish Trail and owned by U. T. M.D. Anderson Cancer Center and U. T. Health Science Center - Houston. The U. T. Board of Regents concurred that U. T. M.D. Anderson Cancer Center's long-term acquisition plan should move south to block up additional parcels for future development. Of the 18.88 acres purchased to date, approximately .47 acres of noncontiguous tracts were determined to provide no long-term benefit and were subsequently sold.

The purpose of the requested authorization is to provide sizable building sites by assembling several key parcels adjacent to lands already owned by U. T. M.D. Anderson Cancer Center.

U. T. M.D. Anderson Cancer Center has completed a master plan for its campus, which includes the potential acquisition. Proposed uses for the assembled parcels are to provide clinical support facilities such as outpatient testing labs, experimental treatment facilities, and auxiliary operations.

The parcels also provide a potential route for a people-mover system which would connect remote parking areas and the south campus to the main campus. Such a system has been proposed as a more economical alternative to additional parking garages and would reduce increased traffic congestion in the main campus area.

U. T. M.D. Anderson Cancer Center's Facilities Steering Committee approved this land acquisition strategy at its meeting in May 1998.

Approval of this project will amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the project, and Institutional Funds in the amount of \$6,500,000 will be used to fund the land acquisitions.

EXHIBIT A

The Board of Regents of The University of Texas System is hereby authorized to acquire by purchase, exchange, gift, or otherwise, for campus expansion and for other University purposes, all or any part of the land described below that is located in the City of Houston, Harris County, Texas, and that the Board of Regents has not already acquired:

1. All land in the P. W. Rose Survey, Abstract No. 645, Houston, Harris County, Texas, that is bounded by Fannin, Cecil, and Lehall Streets and Braeswood Boulevard, including, without limitation, all lots within Blocks 1 and 2, University Park Addition, according to the map or plat thereof recorded in Volume 450, Page 564 of the Deed Records of Harris County, Texas, and all adjacent strips, gores, streets, alleys, alleyways, thoroughfares, and real property, whether or not vacated, specifically including, but not limited to, Lyndon, Lehall, and Cecil Streets, SAVE AND EXCEPT all such real property previously acquired by the Board of Regents and SAVE AND EXCEPT Lots 1 through 6, inclusive, and Lots 27 and 28 in Block 2, University Park Addition.
2. All of Blocks 16, 17, 19, 20, 21, and 22, Institute Addition, according to the map or plat thereof recorded in Volume 3, Page 5 of the Map Records of Harris County, Texas, and all adjacent strips, gores, streets, alleys, alleyways, thoroughfares, and real property, whether or not vacated, specifically including, but not limited to, Cecil, Selma, St. Agnes, Eaton and Princeton Streets and Braeswood Boulevard, SAVE AND EXCEPT all such real property previously acquired by the Board of Regents.
3. Approximately 1.0447 acres, or 45,505 square feet, more or less, of land in the P. W. Rose Survey, Abstract No. 645, Houston, Harris County, Texas, said tract being more particularly described by metes and bounds in the Warranty Deed dated effective June 26, 1987, recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. L195838, together with all adjacent strips or gores of real estate.
4. Approximately 39,540 square feet out of the P. W. Rose Survey, Abstract No. 645, Houston, Harris County, Texas, said tract being more particularly described by metes and bounds in the Special Warranty Deed dated May 22, 1987, recorded in the Real Property Records of Harris County,

Texas, under Clerk's File No. L184468, together with all adjacent strips or gores of real estate, and together with any right, title and interest in the land lying between the above described 39,540 square foot tract of land and the center line of Wyndale Drive.

5. All property located south of Old Spanish Trail, north of El Paseo Street, west of Cambridge Street and east of Fannin Street in Houston, Harris County, Texas, that is now owned by the United States of America and is described in the Judgment on Declaration of Taking dated July 14, 1947, recorded in Volume 1624, Page 627 of the Deed Records of Harris County, Texas, together with all adjacent strips or gores of real estate.
6. All of the land that is bounded on the south by Braeswood Boulevard, on the west by the property described in the deed to Homegate Hospitality, Inc., recorded in S376020 of the Deed Records of Harris County, Texas, and on the east by the property described in the deed to the Board of Regents recorded in M54663 of the Deed Records of Harris County, Texas. (NOTE: This property description will be revised upon receipt of a satisfactory legal description of the property.)
7. All of the land, if any, that is bounded on the north by Old Spanish Trail, on the east by the property described in the deed to Development Associates recorded in R419785 of the Deed Records of Harris County, Texas, and on the west by the property that is currently owned by the United States of America and that is described in the Judgment on Declaration of Taking dated July 14, 1947, recorded in Volume 1624, Page 627, Deed Records of Harris County, Texas. (NOTE: This property description will be revised upon receipt of a satisfactory legal description of the property.)
8. All of the land, if any, not previously acquired by the Board of Regents that is bounded on the north by Old Spanish Trail, on the west by the property described in the deed to the Board of Regents recorded in G816737 and G816738 of the Deed Records of Harris County, Texas, and on the east by the property that is currently owned by the United States of America and that is described in the Judgment on Declaration of Taking dated July 14, 1947, recorded in Volume 1624, Page 627, Deed Records of Harris County, Texas. (NOTE: This property description will be revised upon receipt of a satisfactory legal description of the property.)

## **Executive Session of the Board**

BOARD OF REGENTS  
EXECUTIVE SESSION  
Pursuant to Texas Government Code  
Chapter 551, Sections 551.071, 551.073, and 551.074

Date: November 11, 1998

Time: 1:30 p.m.

Place: Shivers Conference Room, Eleventh Floor, R. Lee  
Clark Clinic Building, U. T. M.D. Anderson  
Cancer Center

1. Consultation with Attorney Regarding Pending and/or  
Contemplated Litigation or Settlement Offers -  
Section 551.071
  - a. U. T. Southwestern Medical Center -  
Dallas: Proposed Settlement of Medi-  
cal Liability Litigation
  - b. U. T. Medical Branch - Galveston: Pro-  
posed Settlement of Medical Liability  
Litigation
  
2. Negotiated Contracts for Prospective Gifts or Dona-  
tions - Section 551.073
  - a. U. T. System: Deliberation on Recom-  
mendations of Kaludis Consulting Group,  
Inc. Regarding Negotiated Contract  
for Prospective Gift/Donation Related  
to the Lower Rio Grande Valley Regional  
Academic Health Center
  - b. U. T. Austin: Deliberation Regarding  
Negotiated Contract for a Prospective  
Gift/Donation for the College of Fine  
Arts

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

U. T. Health Center - Tyler: Recommendation to Change the Title of Chief Administrative Officer from Director to President, Recommendation to Advance Candidate for Consideration as President, and Appointment of Special Committee (Regents' Rules and Regulations, Part One, Chapter II, Section 13, Subsection 13.1, Subdivision 13.14)