

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIIIb

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

March 9, 2001
April 30, 2001
May 9-10, 2001
June 27, 2001
July 10, 2001
August 8-9, 2001

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 - Executive Session

Yellow paper – for documentation of items submitted after the deadline date for inclusion in the Agenda (late items) and distributed to members of the Board of Regents prior to 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 Counsel and Secretary to the Board 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. 940

May 9-10, 2001

Austin, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: **Wednesday, May 9, 2001**

Time: **1:30 p.m.**

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

Purpose: Convene in Open Session to Consider Approval of Selected Items Relating to Chairman's Recommended Appointments to Committees and External Boards

See Page 2, Items A - B

Time: **2:00 p.m.**

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

Purpose: Annual Meeting with U. T. System Student Advisory Council

See Page 2, Item C

Time: **3:30 p.m.**

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

Purpose: Recess to Executive Session

See Page 3, Item D

Time: **5:00 p.m. or upon conclusion of Executive Session**

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

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

See Page 3, Item E

Date: **Thursday, May 10, 2001**

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

Place: Board Room, 9th Floor, Ashbel Smith Hall

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

See Pages 4 - 110, Items F - N

Telephone Numbers

Office of the Board of Regents
Four Seasons Hotel, 98 San Jacinto

(512) 499-4402

(512) 478-4500

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: **Wednesday, May 9, 2001**

Time: 3:30 p.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street,
Austin, Texas

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

U. T. Southwestern Medical Center - Dallas:
Proposed Settlement of Medical Liability Litigation

2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

- a. U. T. Austin: Deliberation of Negotiated Contract for Prospective Gift

- b. U. T. M. D. Anderson Cancer Center: Deliberation of Negotiated Contract for Prospective Gift

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

U. T. System: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

Meeting of the Board

MEETING OF THE BOARD

Date: Wednesday, May 9, 2001
Time: 1:30 p.m.
Place: Board Room, 9th Floor, Ashbel Smith Hall

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MEETING OF THE BOARD

Date: Thursday, May 10, 2001
Time: 8:30 a.m.
Place: Board Room, 9th Floor, Ashbel Smith Hall

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OPEN SESSION

APPROVAL OF MINUTES

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

Date: **Wednesday, May 9, 2001**

Time: 1:30 p.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

A. CALL TO ORDER

B. CONVENE IN OPEN SESSION TO CONSIDER APPROVAL OF SELECTED ITEMS RELATING TO CHAIRMAN'S RECOMMENDED APPOINTMENTS TO COMMITTEES AND EXTERNAL BOARDS

1. U. T. Board of Regents: Requested Approval of Chairman's Committee and Other Representative Appointments

The Chairman's recommendations of Committee and other representative appointments will be available prior to the May 2001 meeting of the U. T. Board of Regents.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I (Board of Regents)

Proposed amendments to the Regents' Rules and Regulations, Part One, Chapter I, relating to the Board of Regents, will be available prior to the May 2001 meeting of the U. T. Board of Regents.

C. ANNUAL MEETING WITH U. T. SYSTEM STUDENT ADVISORY COUNCIL REPRESENTATIVES

MEETING OF THE BOARD
SUPPLEMENTAL MATERIAL

MAY 9, 2001

1. U. T. Board of Regents: Requested Approval of Chairman's Committee and Other Representative Appointments

RECOMMENDATION

In accordance with the requirements of the Regents' Rules and Regulations, Part One, Chapter I, Section 7, Chairman Miller requests the concurrence of the U. T. Board of Regents on his appointments to (1) the chairmanship of the Standing and Special Committees, (2) the Board for Lease of University Lands, (3) the Board of Directors of The University of Texas Investment Management Company (UTIMCO), and (4) the Board of Directors of the Texas Growth Fund as set forth below.

Appointments by Chairman Miller to the Standing Committees, Special Committee on Minorities and Women, and other liaison groups, which do not require Regental approval, are also set forth below for information, and all were effective May 4, 2001.

Unless otherwise noted, these appointments will remain in effect until the succeeding Board Chairman shall reconstitute the committees in 2003.

a. **STANDING COMMITTEES**

Executive Committee*

Charles Miller, Chairman
Rita C. Clements, Vice-Chairman
A. W. "Dub" Riter, Jr., Vice-Chairman
Raul R. Romero, Vice-Chairman

*Elected during Special Called Meeting of the Board of Regents held on April 30, 2001.

Note: Chairman Miller chairs the Executive Committee and is a voting member of that Committee. Chairman Miller is a nonvoting ex officio member of the following standing committees:

Finance and Planning Committee (Formerly Business Affairs and Audit)

Woody L. Hunt, Chairman
Cyndi Taylor Krier
Patrick C. Oxford
A. W. "Dub" Riter, Jr.
Raul R. Romero

Academic Affairs Committee

Cyndi Taylor Krier, Chairman
Woody L. Hunt
Patrick C. Oxford
Raul R. Romero

Health Affairs Committee

Patrick C. Oxford, Chairman
Rita C. Clements
Judith L. Craven, M.D.
A. R. (Tony) Sanchez, Jr.

Facilities Planning and Construction Committee

Rita C. Clements, Chairman
Judith L. Craven, M.D.
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

b. SPECIAL COMMITTEE

Special Committee on Minorities and Women

Judith L. Craven, M.D., Chairman
Rita C. Clements
Cyndi Taylor Krier
Raul R. Romero

Note: Chairman Miller is a nonvoting ex officio member of this special committee.

c. **REGENTAL REPRESENTATIVES**

Board for Lease of University Lands

Judith L. Craven, M.D.
Cyndi Taylor Krier
Charles Miller, Alternate

**The University of Texas Investment Management Company (UTIMCO)
Board of Directors**

(to serve until April 1, 2003, or until their successors are chosen and qualified, or until their earlier resignation or removal)

Rita C. Clements
Woody L. Hunt
A. W. "Dub" Riter, Jr.

Texas Growth Fund Board of Directors

A. W. "Dub" Riter, Jr.

M. D. Anderson Cancer Center Outreach Corporation

Patrick C. Oxford*

*Approved on February 15, 2001.

MEETING OF THE BOARD
SUPPLEMENTAL MATERIAL

MAY 9, 2001

2. U. T. Board of Regents: Proposed Amendments to Regents' Rules and Regulations, Part One, Chapter I (Board of Regents)

RECOMMENDATION

It is recommended that the Regents' Rules and Regulations, Part One, Chapter I be amended as set forth below in congressional style:

- a. Amend Part One, Chapter I, Section 3, Subsection 3.2, Subdivision 3.25, regarding the duties of the Chairman, as follows:

3.25 Except for the Executive Committee, the [The] Chairman shall be a nonvoting [an] ex officio member of all standing and special committees of the Board and a voting member of the Executive Committee.

- b. Amend Part One, Chapter I, Section 7, Subsection 7.1 as follows:

7.1 Standing Committees.--The following committees shall be standing committees of the Board to consider policies for the government of all major areas: (a) Executive Committee; (b) Finance and Planning [Business Affairs and Audit] Committee; (c) Academic Affairs Committee; (d) Health Affairs Committee; (e) Facilities Planning and Construction Committee.

7.11 Composition of Standing Committees; Appointment of Chairmen.--

7.111 The Executive Committee is composed of the Chairman, ~~[and]~~ Vice-Chairmen of the Board, and additional voting members of the Board appointed by the Chairman as needed in the conduct of special called

meetings of the Executive Committee. The Chairman of the Board is the Chairman of the Executive Committee and is a voting member of that Committee.

7.112 Each standing committee~~[- other than the Executive Committee,]~~ is composed of not less than four ~~[three]~~ members of the Board appointed by the Chairman.

7.14 ~~Duties of the Executive Committee.--Any action taken by the Executive Committee pursuant to authority granted in Part One, Chapter I, Section 9, Subsection 9.5 of these Rules and Regulations shall be effective at the time the action is taken by the committee unless otherwise stated by the committee and shall be reported to the Board at its next regularly scheduled meeting. [The Executive Committee, after appropriate consultation with other members of the Board, shall act for the Board on all other items requiring immediate attention; provided that all actions taken by the Committee that are not authorized by Part One, Chapter I, Subsection 9.5 must be ratified by the Board.]~~

7.15 Duties of the Finance and Planning [Business Affairs and Audit] Committee. --The Finance and Planning [Business Affairs and Audit] Committee shall:

7.151 Continue long-range planning activities, building on the existing long-range plan, and ensure development of related plan implementation policies and procedures for the U. T. System and the component institutions ~~[Recommend appropriate Board action with respect to any recommendations by the Chancellor related to the appointment, promotion, and dismissal of such System Administration business affairs officers as report directly or indirectly to the Chancellor].~~

7.152 Review and make recommendations to the Board as appropriate on matters related to business affairs such as: operating budget; debt financing transactions and issues concerning the Permanent University Fund, including administering standards for

resource allocation; University Lands - West Texas Operations; System-wide and self-insured insurance programs; and special task forces, initiatives, and commissions for System Administration and the component institutions

~~[Recommend to the Board compensation for the System Administration and the rates of professional compensation].~~

7.153 Review and report to the Board as appropriate on matters related to the System-wide compliance program ~~[Make recommendations to the Board on matters related to employee personnel programs, fringe benefits, retirement programs, and labor relations in the System Administration and the component institutions].~~

7.154 ~~[Obtain, review, and report to the Board on State Auditor's Reports and Management Letters and System and institutional internal audit reports.~~

~~7.155]~~ Review and recommend to the Board as appropriate ~~[Approve]~~ the System-wide internal audit plan.

7.155 Obtain, review, and report to the Board on System and institutional internal audit reports and State Auditor's Reports.

7.156 Transmit to the Chancellor, subject to the prior approval of the Board, any [such] instructions [as it deems necessary] for System or institutional audits as deemed necessary to ensure management control within The University of Texas System. (In this regard, the System Director of Audits reports to the Chairman of the Finance and Planning Committee) ~~[the implementation of appropriate internal auditing practices].~~

7.157 Review and recommend to the Board as appropriate on issues and activities related to The University of Texas Investment Management Company. [Initiate System and institutional audits as deemed necessary to ensure management control within The University of Texas System. (In

this regard, the System Director of Audits reports to the Chairman of the Business Affairs and Audit Committee.)

- 7.158 ~~Make recommendations to the Board on matters relating to the fiscal management of The University of Texas System Administration and each component institution of the System.~~
- 7.159 ~~Consider and recommend to the Board the operating budgets of The University of Texas System Administration and each component institution of the System.~~
- 7.15(10) ~~Propose to the Board appropriations of funds and modifications of or additions to such appropriations.~~
- 7.15(11) ~~Make recommendations to the Board on matters that commit the U. T. System or any component to operating expenditures in future fiscal years.~~
- 7.15(12) ~~Consider and make recommendations to the Board concerning the availability of funds for, and application of funds to, capital improvement requests.~~
- 7.15(13) ~~Make recommendations on matters relating to management of the lands constituting the permanent endowment of the University, including oversight of the offices of University Lands—Surface and Mineral Interests.]~~

7.16 Duties of the Academic Affairs Committee.--

- ~~[7.168 Recommend appropriate Board action with respect to any recommendations by the Chancellor related to the appointment, promotion, and dismissal of such System Administration academic affairs officers as report directly or indirectly to the Chancellor.]~~
- 7.168[9] Make recommendations concerning capital improvement priorities related to the approved missions of the general academic institutions.

7.17 Duties of the Health Affairs Committee.--

...

~~[7.178- Recommend appropriate Board action with respect to any recommendations by the Chancellor related to the appointment, promotion, and dismissal of such System Administration health affairs officers as report directly or indirectly to the Chancellor.]~~

7.178[9] Make recommendations concerning capital improvement priorities related to the approved missions of the health-related institutions.

c. Amend Part One, Chapter I, Section 9, Subsection 9.5 as follows:

9.5 Delegation of Authority to the Executive Committee.--Except as may be specifically set out otherwise in these Rules and Regulations, the Board delegates to the Executive Committee of the Board authority to act [approve] on behalf of the Board on all matters requiring immediate attention [~~any contract, agreement, or document~~]. When approving any contract, agreement, or document, the Committee shall designate the officer, employee, or agent authorized to execute and deliver the contract or agreement and specify any other required approvals. The designated delegate may further delegate his or her delegated authority unless otherwise specified. Any such further delegation of authority must be made in writing and the designated delegate shall permanently maintain, or cause to be maintained, evidence of any such delegation. A delegate of the primary delegate may not further delegate such authority. All members of the Board will be given prompt notice of all meetings of the Executive Committee and will be invited to attend and participate in all Executive Committee discussions and deliberations. The Executive Committee shall report to the Board at its next regular meeting actions taken by the Committee on behalf of the Board as provided in Part One, Chapter I, Section 7 of these Rules and Regulations.

BACKGROUND INFORMATION

Proposed amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 3 note that the Chairman, who serves as an ex officio member of standing and special committees, is a nonvoting member. This clarifies that the Chairman is not counted for purposes of determining a quorum.

Proposed amendments to Section 7 are necessary to allow additional members to be added to the Executive Committee as determined by the Chairman, to specify that all committees will have at least four members, and to delete language requiring the Executive Committee to consult with other members of the Board before acting. The deleted language, if followed, could conflict with the provisions of the Texas Open Meetings Act.

Substantial amendments recommended to Subdivision 7.15 include a name change from Business Affairs and Audit Committee to the Finance and Planning Committee and changes in the Committee's responsibilities to reflect this focus to serve as liaison on UTIMCO issues, and to assume a formal role in the administration of standards for resource allocation of the Permanent University Fund. Amendments to Subparagraphs 7.151, 7.168, and 7.178 related to the responsibilities of the Business Affairs and Audit Committee, the Academic Affairs Committee, and the Health Affairs Committee concerning U. T. System Executive Officers are consistent with action taken in February 2001 which authorized the Chancellor to make personnel decisions related to these appointments after discussion with the Board.

Proposed amendments to Section 9 provide greater authority to the Executive Committee to act when necessary, but require that all members of the Board of Regents be provided notice of meetings and an opportunity to attend.

This item has been reviewed by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel.

D. RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE CHAPTER 551) PER THE AGENDA ON PAGE 1

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

U. T. Southwestern Medical Center - Dallas: Proposed Settlement of Medical Liability Litigation

2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

- a. U. T. Austin: Deliberation of Negotiated Contract for Prospective Gift

- b. U. T. M. D. Anderson Cancer Center: Deliberation of Negotiated Contract for Prospective Gift

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

U. T. System: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

E. RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEMS (ITEM D) AND RECESS

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

Date: **Thursday, May 10, 2001**

Time: 8:30 a.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall, Austin, Texas

F. RECONVENE IN OPEN SESSION

G. APPROVAL OF MINUTES OF REGULAR MEETING HELD FEBRUARY 14-15, 2001, AND SPECIAL MEETINGS HELD MARCH 9 AND APRIL 30, 2001

H. SPECIAL ITEMS

1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 7, Subsection 7.3 (UTIMCO) and Addition of New Subsection 7.4 (Texas Growth Fund)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter I, Section 7 be amended as set forth on Page 5 in congressional style.

- a. Amend Subsection 7.3, relating to The University of Texas Investment Management Company (UTIMCO), as follows:

7.3 The University of Texas Investment Management Company (UTIMCO).--Pursuant to Section 66.08 of the Texas Education Code, the U. T. Board of Regents shall appoint the nine directors of The University of Texas Investment Management Company (UTIMCO). At least three members of the U. T. Board of Regents [~~UTIMCO Board of Directors~~] and the Chancellor shall be appointed to the UTIMCO Board of Directors by the Chairman of the U. T. Board of Regents, by and with the consent of the U. T. Board of Regents[, ~~as directors of UTIMCO~~]. At least one director will be selected from a list of candidates with substantial background and expertise in investments, as [that is] submitted to the U. T. Board of Regents by the Board of Regents of The Texas A&M University System.

- b. Add new Subsection 7.4, relating to the Texas Growth Fund, as set forth below:

7.4 Texas Growth Fund.--Pursuant to Section 70(m), Article XVI of the Texas Constitution, the Texas Growth Fund II shall be managed by a Board of Trustees that "includes one member from and elected by" the U. T. Board of Regents.

BACKGROUND INFORMATION

Proposed amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 7, Subsection 7.3 will clarify Regental membership on the UTIMCO Board of Directors.

The addition of Subsection 7.4 will formally recognize the Texas Growth Fund in the Regents' Rules as an entity requiring Regental representation. The Texas Growth Fund II, as authorized by the Texas Constitution, expires on September 1, 2008.

2. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part One, Chapter II, Section 16, Subsection 16.1 (Presidents of Component Institutions)

RECOMMENDATION

It is recommended that the Regents' Rules and Regulations, Part One, Chapter II, Section 16, Subsection 16.1, relating to presidents of component institutions, be amended to add Subdivision 16.15 as set forth below in congressional style:

Sec. 16. Presidents of Component Institutions.

....
16.15 When an individual named to serve in the position of interim president has served in the position for at least three months and has demonstrated leadership qualities and fitness for the presidency, the Board may, by unanimous vote of the members present and voting, give public notice that the interim appointee is the sole candidate for the presidency. In such case, a Special Committee as referenced in Subdivision 16.14 above need not be appointed.

BACKGROUND INFORMATION

The proposed addition of Subdivision 16.15 to the Regents' Rules and Regulations, Part One, Chapter II, Section 16, Subsection 16.1, relating to selection of presidents, streamlines the process for appointing an interim president who has demonstrated the necessary leadership qualities to the presidency without appointing a Special Committee to advise the Board. Such appointment requires a minimum period of service of three months and a unanimous vote of Board members present and voting at the meeting.

This item has been reviewed by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel.

3. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8 (Academic Titles), Subdivision 1.84

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.84, relating to academic titles, be amended as set forth below in congressional style:

1.84 Prefixes to academic and staff positions in which tenure cannot be acquired:

- ...
- (d) Honorary titles, such as Dean Emeritus, Chair Emeritus, Professor Emeritus, and similar honorary designations [~~Associate Professor Emeritus. One of these titles~~] may be given to a retired faculty member or in anticipation of the retirement of a faculty member, effective upon retirement. The conferring of one of these titles is not automatic upon retirement and may be conferred only upon approval by the president [~~chief administrative officer~~] of the component institution in accordance with procedures included in the institutional Handbook of Operating Procedures and final approval by the Board of Regents.

BACKGROUND INFORMATION

The proposed changes to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.84 clarify the scope of honorary titles that may be awarded to a retired faculty member or prior to the retirement of a faculty member, effective upon retirement. This language is consistent with Part One, Chapter II, Section 17, Subsection 17.4 of the Regents' Rules concerning the honorary titles of Chancellor Emeritus, President Emeritus, and similar honorary designations. A minor editorial change is also proposed.

4. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter I, Section 1 (Gifts to The University of Texas System)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, relating to gifts to The University of Texas System, be amended as set forth below in congressional style:

Sec. 1. Gifts to The University of Texas System.

...

1. Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with all relevant laws and Board policies, including but not limited to the provisions of the U. T. System Gift Acceptance Procedures, the Gift Policy Guidelines for Surface and Mineral Estates in Real Property, the U. T. System Environmental Review Policy for Acquisitions of Real Property Assets, and approved institutional policies. Approval by the Board of Regents is required prior to the acceptance of a gift of an outdoor work of art. Considerations will include appropriateness with regard to the component institution's Campus Master Plan and any installation and/or continuing expense to the institution.

...

1.(16) Conduct Related to Gifts.

...

- ~~[1.(16)5 Members of the Board are frequently persons of wide-ranging business interests. Therefore, a prudent, independent decision process may result in real estate transactions with or involving firms or organizations with whom a member of the Board is affiliated. Affiliation~~

~~shall be interpreted within this Section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. Unless the Board specifically finds that the transaction is in the best interest of the U. T. System or a component institution, no member of the Board or employee of the U. T. System may participate in any transaction with the U. T. System involving interests in real estate with which such Board member or employee is affiliated other than to convey a gift or bequest to the U. T. System.]~~

BACKGROUND INFORMATION

U. T. component institutions have been subject to U. T. System guidelines for the acceptance of commemorative gifts of art for many years, with the guidelines formally issued as a written U. T. System policy in August 1980. With coverage of the acceptance of gifts in Part Two, Chapter I of the Regents' Rules and Regulations, and the more detailed "U. T. System Gift Acceptance Procedures" authorized by the U. T. Board of Regents at its August 1999 meeting, the stand-alone U. T. System administrative policy is not optimally grouped with like policy provisions. The recommended addition of language regarding outdoor works of art to the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.2, summarizes the key provisions of the existing U. T. System policy in a more accessible format. Upon approval of this recommendation, the U. T. System policy will be rescinded.

Deletion of Part Two, Chapter I, Section 1, Subsection 1.(16), Subdivision 1.(16)5 of the Regents' Rules and Regulations eliminates outdated language related to real estate transactions involving Board members. Standards of conduct related to such transactions are now covered by specific provisions of State law.

5. U. T. System: Report of Summary of Gift Acceptance Conforming to Board Policy for December 1, 2000 Through February 28, 2001

REPORT

Mrs. Shirley Bird Perry, Vice Chancellor for Development and External Relations, will discuss the U. T. System Report of Summary of Gift Acceptance for the period December 1, 2000 through February 28, 2001, as set forth below:

<u># ALL</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>
1	U. T. System Administration	\$ 10,000
1	U. T. Arlington	10,000
96	U. T. Austin	22,018,554 *
1	U. T. Brownsville	---
1	U. T. Dallas	10,000
12	U. T. El Paso	7,299,185
1	U. T. Pan American	---
1	U. T. Permian Basin	35,000
4	U. T. San Antonio	1,058,049
3	U. T. Tyler	110,007
14	U. T. Southwestern Medical Center - Dallas	1,062,127 *
6	U. T. Medical Branch - Galveston	278,000
21	U. T. Health Science Center - Houston	3,430,733
5	U. T. Health Science Center - San Antonio	616,196
15	U. T. M. D. Anderson Cancer Center	1,866,767
<u>0</u>	<u>U. T. Health Center - Tyler</u>	<u>---</u>
182	TOTAL	\$ 37,804,619

*Not included in total:

U. T. Austin: \$411,000 transfer of endowment funds;

U. T. Southwestern Medical Center - Dallas: \$786,149.14 of Board-held matching funds.

2. MATTERS RELATED TO THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)
1. U. T. System: Report on Investments for the Fiscal Quarter Ended February 28, 2001

REPORT

Pages 13 – 21 contain the Summary Reports on Investments for the fiscal quarter ended February 28, 2001.

Item I on Page 13 reports the endowment neutral policy portfolio asset allocation and benchmark returns. The performance of the Permanent University Fund (PUF), the Permanent Health Fund (PHF), and the Long Term Fund (LTF) is measured against the endowment neutral policy portfolio return. The neutral policy portfolio return is the neutrally weighted average index return for the various asset classes in the endowment portfolio.

Item II on Pages 14 – 15 reports summary activity for the PUF investments and a comparison of the asset allocation of the PUF versus the endowment neutral policy portfolio. Total net investment return for the quarter was .06% versus the neutral policy portfolio return of .59%.

Item III on Pages 16 – 17 reports summary activity for the PHF and a comparison of the asset allocation of the PHF versus the endowment neutral policy portfolio. Total net investment return for the quarter was .76% versus the neutral policy portfolio return of .59%.

Item IV on Pages 18 – 19 reports summary activity for the LTF and a comparison of the asset allocation of the LTF versus the endowment neutral policy portfolio. Total net investment return for the quarter was a negative .17% versus the neutral policy portfolio return of .59%.

Item V on Page 20 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 3.02% for the quarter versus the SITF's performance benchmark of 3.11%.

Item VI on Page 21 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, increased by \$146 million to \$943 million during the second quarter. Asset values for the remaining asset classes were fixed income securities: \$107 million versus \$101 million at previous quarter-end; equities: \$114 million versus \$107 million at previous quarter-end; and other investments of \$1 million versus \$4 million at previous quarter-end.

I. Endowment Neutral Policy Portfolio Asset Allocation and Benchmark Returns for the Quarter Ended February 28, 2001

	Endowment Neutral Policy Portfolio Asset Allocation	Benchmark Return	Benchmark
Cash	0.0%	3.11%	91 Day T-Bills Average Yield
Domestic Common Stocks:			
Large/Medium Capitalization Equities	25.0%	-5.43%	Standard & Poor's 500 Index
Small Capitalization Equities	7.5%	6.75%	Russell 2000 Index
Total Domestic Common Stocks	<u>32.5%</u>		
International Common Stocks:			
Established Markets	12.0%	-4.26%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	3.0%	6.94%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	<u>15.0%</u>		
Alternative Equities:			
Marketable	10.0%	3.38%	91 Day T-Bills + 7%
Nonmarketable	15.0%	4.00%	17%
Total Alternative Equities	<u>25.0%</u>		
Inflation Hedging	7.5%	-1.10%	33% (Goldman Sachs Commodity Index - 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Total Equities	<u>80.0%</u>		
Fixed Income:			
Domestic	15.0%	4.42%	Lehman Brothers Aggregate
International	5.0%	3.23%	Salomon Non-U.S. World Government Index, Unhedged
Total Fixed Income	<u>20.0%</u>		
Total	<u>100.0%</u>	0.59%	

II. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at February 28, 2001 (2)

(\$ millions)

	FY99-00	FY00-01		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	7,465.6	8,452.3	7,652.6	8,452.3
PUF Lands Receipts (3)	83.1	30.5	27.6	58.1
Investment Return	1,215.1	(508.2)	9.7	(498.5)
Expenses	(13.9)	(4.9)	(3.0)	(7.9)
Distributions to AUF	(297.6)	(317.1)	-	(317.1)
Ending Net Assets	<u>8,452.3</u>	<u>7,652.6</u>	<u>7,686.9</u>	<u>7,686.9</u>
AUF Distribution:				
From PUF Investments	297.6	317.1	-	317.1
From Surface Income	6.0	1.1	2.3	3.4
Total	<u>303.6</u>	<u>318.2</u>	<u>2.3</u>	<u>320.5</u>

- (1) Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.
- (2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2000 values of \$877.9 million and \$156.4 million, respectively.
- (3) PUF Land Receipts - As of February 28, 2001: 1,227,756 acres under lease; 519,098 producing acres; 3,267 active leases; and 2,059 producing leases.

II. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return at February 28, 2001

	<u>Asset Allocation</u>	<u>Endowment Neutral Policy Portfolio</u>
Cash	4.4%	0.0%
Domestic Common Stocks:		
Large/Medium Capitalization Equities	22.5%	25.0%
Small Capitalization Equities	9.5%	7.5%
Total Domestic Common Stocks	<u>32.0%</u>	<u>32.5%</u>
International Common Stocks:		
Established Markets	12.0%	12.0%
Emerging Markets	3.3%	3.0%
Total International Common Stocks	<u>15.3%</u>	<u>15.0%</u>
Alternative Equities:		
Marketable	9.2%	10.0%
Nonmarketable	15.9%	15.0%
Total Alternative Equities	<u>25.1%</u>	<u>25.0%</u>
Inflation Hedging	3.9%	7.5%
Total Equities	<u>76.3%</u>	<u>80.0%</u>
Fixed Income:		
Domestic	16.7%	15.0%
International	2.6%	5.0%
Total Fixed Income	<u>19.3%</u>	<u>20.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>
Three Month Total Net Investment Return	<u>0.06%</u>	<u>0.59%</u>

III. PERMANENT HEALTH FUND (1)

a.) Summary Investment Report at February 28, 2001

(\$ millions)

	FY99-00	FY00-01		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	890.3	1,016.6	925.1	1,016.6
Contributions	25.0	-	-	-
Investment Return	143.8	(80.2)	8.0	(72.2)
Expenses	(1.9)	(0.8)	(0.1)	(0.9)
Distributions (Payout)	(40.6)	(10.5)	(10.5)	(21.0)
Ending Net Assets	1,016.6	925.1	922.5	922.5
Net Asset Value per Unit	1.112525	1.012448	1.009531	
No. of Units (End of Period)	913,765,506	913,765,506	913,765,506	
Distribution Rate per Unit	0.04500	0.01150	0.01150	

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

III. PERMANENT HEALTH FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return at February 28, 2001

	<u>Asset Allocation</u>	<u>Endowment Neutral Policy Portfolio</u>
Cash	4.5%	0.0%
Domestic Common Stocks:		
Large/Medium Capitalization Equities	27.4%	25.0%
Small Capitalization Equities	11.3%	7.5%
Total Domestic Common Stocks	<u>38.7%</u>	<u>32.5%</u>
International Common Stocks:		
Established Markets	13.8%	12.0%
Emerging Markets	4.1%	3.0%
Total International Common Stocks	<u>17.9%</u>	<u>15.0%</u>
Alternative Equities:		
Marketable	13.4%	10.0%
Nonmarketable	1.6%	15.0%
Total Alternative Equities	<u>15.0%</u>	<u>25.0%</u>
Inflation Hedging	4.4%	7.5%
Total Equities	<u>76.0%</u>	<u>80.0%</u>
Fixed Income:		
Domestic	16.9%	15.0%
International	2.6%	5.0%
Total Fixed Income	<u>19.5%</u>	<u>20.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>
Three Month Total Net Investment Return	<u>0.76%</u>	<u>0.59%</u>

IV. LONG TERM FUND (1)

a.) Summary Investment Report at February 28, 2001

(\$ millions)

	FY99-00	FY00-01		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	2,602.3	3,136.2	2,921.0	3,136.2
Net Contributions	118.9	27.2	33.0	60.2
Investment Return	547.1	(208.7)	(3.2)	(211.9)
Receipt of Funds from System for UTIMCO Fee	1.9	0.6	0.6	1.2
Expenses	(9.6)	(1.8)	(1.4)	(3.2)
Distributions (Payout)	(115.2)	(31.2)	(31.7)	(62.9)
Distribution of Gain on Participant Withdrawals	(9.2)	(1.3)	(0.2)	(1.5)
Ending Net Assets	3,136.2	2,921.0	2,918.1	2,918.1
Net Asset Value per Unit	6.198	5.726	5.657	5.657
No. of Units (End of Period)	506,024,547	510,164,819	515,880,951	515,880,951
Distribution Rate per Unit	0.23000	0.06125	0.06125	0.12250

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

IV. LONG TERM FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return at February 28, 2001

	<u>Asset Allocation</u>	<u>Endowment Neutral Policy Portfolio</u>
Cash	2.9%	0.0%
Domestic Common Stocks:		
Large/Medium Capitalization Equities	24.5%	25.0%
Small Capitalization Equities	9.4%	7.5%
Total Domestic Common Stocks	<u>33.9%</u>	<u>32.5%</u>
International Common Stocks:		
Established Markets	12.6%	12.0%
Emerging Markets	3.3%	3.0%
Total International Common Stocks	<u>15.9%</u>	<u>15.0%</u>
Alternative Equities:		
Marketable	9.4%	10.0%
Nonmarketable	14.2%	15.0%
Total Alternative Equities	<u>23.6%</u>	<u>25.0%</u>
Inflation Hedging	3.9%	7.5%
Total Equities	<u>77.3%</u>	<u>80.0%</u>
Fixed Income:		
Domestic	16.8%	15.0%
International	3.0%	5.0%
Total Fixed Income	<u>19.8%</u>	<u>20.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>
Three Month Total Net Investment Return	<u>-0.17%</u>	<u>0.59%</u>

V. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at February 28, 2001

(\$ millions)

	FY99-00	FY00-01		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	1,769.4	1,844.4	1,852.4	1,844.4
Contributions (Net of Withdrawals)	81.6	(11.7)	28.6	16.9
Investment Return	107.9	48.4	56.4	104.8
Expenses	(0.5)	(0.1)	(0.1)	(0.2)
Distributions of Income	(114.0)	(28.6)	(28.0)	(56.6)
Ending Net Assets	1,844.4	1,852.4	1,909.3	1,909.3
Net Asset Value per Unit	9.858	9.963	10.114	
No. of Units (End of Period)	187,089,202	185,934,780	188,785,844	
Total Net Investment Return			3.02%	

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

VI. SEPARATELY INVESTED ASSETS (1)

Summary Investment Report at February 28, 2001

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:														
Beginning value 12/1/00	3,777	3,777	1,562	1,562	36,309	36,309	496	496	3	3	755,046	755,046	797,193	797,193
Increase/(Decrease)	368	368	1,719	1,719	6,740	6,740	(59)	(59)	66	66	136,906	136,906	145,740	145,740
Ending value 2/28/01	4,145	4,145	3,281	3,281	43,049	43,049	437	437	69	69	891,952	891,952	942,933	942,933
Debt Securities:														
Beginning value 12/1/00	-	-	17	15	53,822	52,442	15,664	16,024	-	-	31,122	32,428	100,625	100,909
Increase/(Decrease)	-	-	-	1	(1,574)	(776)	(190)	237	-	-	5,384	6,664	3,620	6,126
Ending value 2/28/01	-	-	17	16	52,248	51,666	15,474	16,261	-	-	36,506	39,092	104,245	107,035
Equity Securities:														
Beginning value 12/1/00	42	7,210	2,475	2,523	22,960	35,210	17,932	16,742	-	-	70,019	45,623	113,428	107,308
Increase/(Decrease)	-	(1,971)	280	256	6,154	3,327	829	(105)	-	-	7,793	4,843	15,056	6,350
Ending value 2/28/01	42	5,239	2,755	2,779	29,114	38,537	18,761	16,637	-	-	77,812	50,466	128,484	113,658
Other:														
Beginning value 12/1/00	3,000	3,000	5	5	581	581	77	36	-	-	-	-	3,663	3,622
Increase/(Decrease)	(3,000)	(3,000)	37	37	-	-	5	(20)	-	-	-	-	(2,958)	(2,983)
Ending value 2/28/01	-	-	42	42	581	581	82	16	-	-	-	-	705	639

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

Details of individual assets by account furnished upon request.

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

RECOMMENDATION

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

- a. The fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 6.7% from \$317,081,112 to \$338,433,636 effective September 1, 2001
- b. The distribution rate for the Permanent Health Fund (PHF) be increased from \$0.046 per unit to \$0.047 per unit effective November 30, 2001
- c. The distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.245 per unit to \$0.251 per unit effective November 30, 2001.

BACKGROUND INFORMATION

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.5% of the trailing 12-quarter average of the net asset value of the Fund for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2001-2002 is \$338,433,636 as calculated in the chart on Page 23.

Quarter Ended	Net Asset Value
5/31/98	\$ 7,112,953,989
8/31/98	6,517,087,231
11/30/98	7,188,931,905
2/28/99	7,202,068,320
5/31/99	7,437,047,422
8/31/99	7,465,560,698
11/30/99	7,697,888,965
2/29/00	7,924,756,395
5/31/00	7,910,907,663
8/31/00	8,452,335,867
11/30/00	7,652,556,843
2/28/01	7,686,874,230
	<u>\$ 90,248,969,528</u>
Number of quarters	12
Average Net Asset Value	<u>\$ 7,520,747,461</u>
Distribution Percentage	4.5%
FY 2001-02 Distribution	<u><u>\$ 338,433,636</u></u>

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

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$338,433,636 is substantially greater than PUF Bonds debt service of \$148,409,000 projected for FY 2001-2002.

System	Debt Service
U.T.	\$ 94,099,000
TAMU	54,310,000
Total	<u>\$ 148,409,000</u>

Sources: The University of Texas System Office of Finance
The Texas A&M University System Office of Treasury Services

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

FY 2000-01 distribution of \$317,081,112 by 6.7%, as proposed, because the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ending February 28, 2001 was 3.43%.

Average Annual	Percent
Rate of Total Return	11.43%
Expense Rate	(0.03%) (1)
Inflation Rate	(2.71%)
Distribution Rate	(5.26%)
Net Real Return	3.43%

(1) Paid from AUF until 1/01/00

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

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$7,520,747,461	\$338,433,636	4.50%	7.00%

(1) Source: UTIMCO

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

The 2.4% increase in LTF distribution rate from \$0.245 per unit to \$0.251 and the 2.2% increase in the PHF distribution rate from its current rate of \$0.046 per unit to \$0.047 per unit are recommended based on the investment policies to increase the distributions by the average rate of inflation for the trailing 12 quarters. The consumer price index for the prior three years as of November 30, 2000, was 2.4%. These distribution rates were approved by the UTIMCO Board on February 22, 2001.

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 Miller
Vice-Chairman Clements, Regent Riter, Regent Romero
MSA Page 26

Business Affairs and Audit Committee
MSA Page 27

Academic Affairs Committee
MSA Page 39

Health Affairs Committee
MSA Page 59

Facilities Planning and Construction Committee
MSA Page 79

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Miller

Date: May 10, 2001

Time: Following the Reconvening of the Board of Regents at
approximately 8:30 a.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall

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

Business Affairs & Audit Committee

BUSINESS AFFAIRS AND AUDIT COMMITTEE

Date: May 10, 2001
Time: Following the Meeting of the Executive Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

	<u>Page</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 105</u>	29
2. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part One, Chapter VI, Section 6, Subsection 6.6 (Solicitation), Subdivision 6.61	29
3. U. T. System: Recommendation to Approve Fiscal Year 2002 Budget Preparation Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations	31
4. U. T. System: Recommended Approval of Appointment of Plan Administrator for the Self-Funded Medical Plan and Carriers for Fully-Insured Health Maintenance Organizations (HMOs) to be Effective September 1, 2001	35
5. U. T. System: Recommended Monthly Premiums for the Medical, Dental, and Vision Plans and the Health Maintenance Organizations (HMOs) to be Effective September 1, 2001	35

6. U. T. Dallas: Request for Authorization to Lease Approximately 10 Acres of Land Located in Richardson, Collin County, Texas, and Authorization to Execute All Documents Related Thereto 36
7. U. T. M. D. Anderson Cancer Center: Request for Authorization to Enter into a Lease with Introgen Therapeutics Inc. for a Specialized Laboratory Facility 36

INFORMATIONAL REPORT

- U. T. System: Discussion of the March 2001 Monthly Financial Report 38

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 105

RECOMMENDATION

It is recommended that Chancellor's Docket No. 105 be approved.

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

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6 (Solicitation), Subdivision 6.61

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, Subdivision 6.61, relating to solicitation, be amended as set forth below in congressional style:

6.61

- ...
- (f) The collection of contributions or the sale of merchandise, food, or nonalcoholic beverages by the students' association or by a registered student, faculty, or staff organization. A students' association or a registered student, faculty, or staff organization may not conduct such solicitation activities on behalf of or for the benefit of any individual, association, organization, corporation, or group of individuals that is not registered as a student, faculty, or staff organization or that is not otherwise

qualified under the criteria of Item (i) of Subdivision 6.61 to conduct solicitation. In the case of specific drives for disaster relief, the chief student affairs officer of the institution may approve a drive that complies with all other requirements of Subsection 6.6. Texas law allows a registered student organization to be relieved from state sales tax liability for one fund-raising sale per month. All proposed sales events are subject to applicable provisions of these Rules and to other institutional policies concerning the time, place, and manner of solicitation. The sales must be for the benefit of the registered organization and may not involve another entity not authorized to solicit under these Rules. The items offered for sale may not be items that the organization has obtained on consignment.

-
- (i) Solicitation of funds by any organization that can present to the Chancellor [chief administrative officer] of the U. T. System or the president of the component institution, or his or her delegate, written evidence from the Internal Revenue Service that the organization has been granted an exemption from taxation under Section 501(c)(3), Internal Revenue Code.
-

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, Subdivision 6.61, Item (f) transfers a 1996 U. T. System administrative policy to the Regents' Rules and Regulations. This policy resulted from a change to Section 151.321 of the Texas Tax Code enacted by House Bill 596 passed by the 74th Texas Legislature. Approval of this amendment to the Regents' Rules and Regulations will rescind the U. T. System policy entitled "Tax-Free Sales by Registered Student Organizations."

Minor editorial amendments to Item (i) are proposed to standardize references in the Regents' Rules and Regulations.

3. U. T. System: Recommendation to Approve Fiscal Year 2002 Budget Preparation Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations

RECOMMENDATION

With the concurrence of the U. T. System Executive Officers, the Chancellor recommends that the U. T. Board of Regents approve Budget Preparation Policies and Limitations and Calendar for use in preparing the FY 2002 Operating Budget for the U. T. System as set out below:

U. T. System FY 2002 Budget Preparation Policies

General Guidelines – The regulations and directives which will be included in the General Appropriations Act enacted by the 77th Texas Legislature serve as the basis for budget preparation policies. In preparing the draft of the FY 2002 Operating Budget, the president of each component institution should adhere to guidelines and policies as detailed below and those policies included in the General Appropriations Act. Following legislative approval of the General Appropriations Act, the Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the component budget process.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines – Recommendations regarding salary policy are subject to the following directives.

1. Salaries Proportional by Fund – Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in Texas Education Code Section 51.009 (a) and (c), shall be proportional to the source of funds.

2. Merit Increases – Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, classified staff must have been employed by the institution for at least six months as of August 31, 2001.

3. Other Increases – Equity adjustments, competitive offers, and increases to accomplish contractual commitments may also be granted in this budget and should also consider merit where appropriate, subject to available resources. Such increases should be noted and explained in the supplemental data accompanying the budget.
4. New Positions – New administrative and professional, classified staff and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.
5. Tobacco Settlement Funds – The distribution from the Endowment Funds appropriated to Higher Education and to the Permanent Health Fund for Health Related Institutions should be estimated at 4.7 percent as shown in the following tables:

Individual Endowments	
Component	Annual
U. T. El Paso	\$1,175,000
U. T. SWMC Dallas	2,350,000
U. T. MB Galveston	1,175,000
U. T. HSC Houston	1,175,000
U. T. HSC San Antonio	9,400,000
U. T. MDA Cancer Center	4,700,000
U. T. HC Tyler	1,175,000
U. T. RAHC*	940,000

*Lower Rio Grande Valley Regional Academic Health Center (RAHC)

Permanent Health Fund	
Component	Annual
U. T. SWMC Dallas	\$2,146,725
U. T. MB Galveston	2,097,046
U. T. HSC Houston	1,822,660
U. T. HSC San Antonio	1,706,194
U. T. MDA Cancer Center	1,704,549
U. T. HC Tyler	1,205,292

6. It is the expectation that Fiscal Year 2002 salary increases for merit, equity, or other reasons be included in the Operating Budgets.

Staff Benefits Guidelines – Recommendations regarding the State contribution for employees staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act. Upon approval of this legislation, the Chancellor will issue appropriate instructions regarding the implementation of the benefits into the budget process.

Other Employee Benefits – Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study and are \$0.475 per \$100 of the first \$9,000 of salary paid per employee. Workers' Compensation Insurance rates have been experience rated for each component. The Chancellor will issue appropriate instructions regarding the implementation of Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines – Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

Budget Reductions and Limitations – The General Appropriations Act may contain provisions requiring budget reductions and budget restrictions which may impact the FY 2002 Operating Budget. Upon approval of this legislation, the Chancellor or other appropriate authority will issue instructions regarding the implementation of any of these reductions and limitations into the budgeting process.

FY 2002 Operating Budget Calendar

May 10, 2001	U. T. Board of Regents approves budget policies for FY 2002 Operating Budgets
June 1-8, 2001	Budget major goals/policy hearings with System Administration
June 22, 2001	Draft copies of budgets, salary rosters, and supplemental data due to System Administration
July 2-10, 2001	Technical budget hearings with System Administration
July 16, 2001	Final copies of budgets, salary rosters, and supplemental data due to System Administration
August 1, 2001	Operating Budget Summaries mailed to U. T. Board of Regents
August 8-9, 2001	U. T. Board of Regents approves Operating Budget
August 17, 2001	Approved budgets and salary rosters due to System Administration for copying and binding

BACKGROUND INFORMATION

The U. T. System FY 2002 Budget Preparation Policies will be consistent with the regulations and directives which will be included in the General Appropriations Act to be enacted by the 77th Texas Legislature. Following legislative approval of the General Appropriations Act, the Chancellor will issue detailed instructions regarding the implementation of these regulations and directives.

4. U. T. System: Recommended Approval of Appointment of Plan Administrator for the Self-Funded Medical Plan and Carriers for Fully-Insured Health Maintenance Organizations (HMOs) to be Effective September 1, 2001

RECOMMENDATION

Issues related to the appointment of a plan administrator for the self-funded medical plan and carriers for the fully-insured health maintenance organizations (HMOs) to be effective September 1, 2001, for U. T. System employees and retirees are still being negotiated. It is anticipated that recommendations on the appointment of a plan administrator and one or more carriers for the plans will be made in advance of the May 2001 meeting of the U. T. Board of Regents.

5. U. T. System: Recommended Monthly Premiums for the Medical, Dental, and Vision Plans and the Health Maintenance Organizations (HMOs) to be Effective September 1, 2001

RECOMMENDATION

Employee monthly premium rates for the U. T. System self-funded medical and dental plans and fully-insured health maintenance organizations (HMOs) to be effective September 1, 2001, are still being negotiated pending action on premium sharing funds to be set by the 77th Texas Legislature currently in session. It is anticipated that recommendations on rates will be made prior to the May 2001 meeting of the U. T. Board of Regents.

BUSINESS AFFAIRS AND AUDIT COMMITTEE

SUPPLEMENTAL AGENDA ITEM

MAY 10, 2001

4. U. T. System: Recommended Approval of Appointment of Plan Administrator for the Self-Funded Medical Plan and Carriers for Fully-Insured Health Maintenance Organizations (HMOs) to be Effective September 1, 2001

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the appointment of a plan administrator for the self-funded UT Select Preferred Provider Organization (PPO) medical plan and three fully-insured health maintenance organizations (HMOs) to serve U. T. System employees and retirees to be effective September 1, 2001, as follows:

- a. Blue Cross and Blue Shield of Texas, Richardson, Texas, a Division of Health Care Service Corporation, Chicago, Illinois, as the plan administrator of the self-funded UT Select PPO medical plan to serve employees and retirees of the U. T. System
- b. Humana, Inc., Louisville, Kentucky, as a fully-insured HMO to serve employees and retirees in the Austin, Corpus Christi, Galveston, Houston, and San Antonio, Texas, areas
- c. Blue Cross and Blue Shield of Texas (HMO Blue), Richardson, Texas, a Division of Health Care Service Corporation, Chicago, Illinois, as a fully-insured HMO to serve employees and retirees in the Dallas, El Paso, Midland, Odessa, and Tyler, Texas, areas
- d. Texas Universities Health Plan (TUHP), Austin, Texas, as a fully-insured HMO to serve employees and retirees in the San Antonio, Texas, area.

See Supplemental Material, Item 5 on Pages 35d - h for group medical monthly premium rates.

BACKGROUND INFORMATION

On March 9, 2001, the U. T. System Employee Group Insurance (EGI) office issued a Request for Proposals (RFP) for a plan administrator for the self-funded UT Select PPO medical plan which serves U. T. System employees and retirees. Seven responses to the RFP were received on April 5, 2001, from the following organizations:

Aetna US HealthCare, Inc., Hartford, Connecticut
America's Choice Healthplans, King of Prussia, Pennsylvania
Blue Cross and Blue Shield of Texas, Richardson, Texas, a Division of
Health Care Service Corporation, Chicago, Illinois
Harrington Benefit Services, Inc., Columbus, Ohio
Humana, Inc., Louisville, Kentucky
UnitedHealth Group Incorporated, Minnetonka, Minnesota
Texas Universities Health Plan, Inc., Austin, Texas

On March 9, 2001, the U. T. System EGI office also issued an RFP for fully-insured HMOs to serve employees and retirees. Eight responses to the RFP were received on April 5, 2001, from the following organizations:

Aetna US HealthCare, Inc., Hartford, Connecticut
AmCare Health Plans of Texas, Inc., Houston, Texas
Blue Cross and Blue Shield of Texas, Richardson, Texas, a Division of
Health Care Service Corporation, Chicago, Illinois
Community First Health Plans, Inc., San Antonio, Texas
Humana, Inc., Louisville, Kentucky
PacifiCare of Texas, Inc., Dallas, Texas
Texas Health Choice, L.C., Dallas, Texas,
a company owned by Sierra Health Services, Inc., Las Vegas, Nevada
Texas Universities Health Plan, Inc., Austin, Texas

After review of the responses and based upon analyses by the EGI office, the Director recommended to the Executive Vice Chancellor for Business Affairs that (1) the UT Select PPO medical plan contract be awarded to Blue Cross and Blue Shield of Texas, due to the more favorable negotiated provider contracts which allow for an expansive network for the employees and retirees in the proposed service areas, the

reasonable administrative fee, and superior customer service and, (2) the fully-insured HMO contracts be awarded to Humana, Inc., Blue Cross and Blue Shield of Texas (HMO Blue), and Texas Universities Health Plan, due to the most reasonable premium rates offered, the networks available to members in the proposed service areas, and favorable customer service.

BUSINESS AFFAIRS AND AUDIT COMMITTEE

SUPPLEMENTAL AGENDA ITEM

MAY 10, 2001

5. U. T. System: Recommended Monthly Premiums for the Medical, Dental, and Vision Plans and the Health Maintenance Organizations (HMOs) to be Effective September 1, 2001

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the monthly premiums as shown in the following tables for the U. T. System self-funded medical and dental plans and the fully-insured health maintenance organizations (HMOs), dental plan, and the vision plan to be effective September 1, 2001.

U. T. SYSTEM SELF-FUNDED MEDICAL PLAN MONTHLY PREMIUM RATES	
	BLUE CROSS BLUE SHIELD UT SELECT PPO PLAN
Coverage Level	FY 2001-2002 Proposed Rates
Subscriber Only (Automatic Package)*	\$286.17
Subscriber and Spouse	\$558.56
Subscriber and Child(ren)	\$510.33
Subscriber and Family	\$774.21

*The Automatic Package is the default plan for all eligible employees and retirees.

FULLY-INSURED HMO MONTHLY PREMIUM RATES				
HUMANA HMO				
	AUSTIN	GALVESTON/ HOUSTON	SAN ANTONIO	CORPUS CHRISTI
Coverage Level	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates
Subscriber Only	\$239.25	\$238.56	\$228.61	\$232.49
Subscriber and Spouse	\$466.59	\$465.25	\$445.73	\$453.36
Subscriber and Child(ren)	\$426.33	\$425.11	\$407.28	\$414.25
Subscriber and Family	\$646.58	\$644.72	\$617.63	\$628.21

FULLY-INSURED HMO MONTHLY PREMIUM RATES				
HMO BLUE				
	DALLAS	TYLER	EL PASO	MIDLAND
Coverage Level	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates	FY 2001-2002 Proposed Rates
Subscriber Only	\$250.17	\$250.17	\$250.17	\$250.17
Subscriber and Spouse	\$488.01	\$488.01	\$488.01	\$488.01
Subscriber and Child(ren)	\$445.89	\$445.89	\$445.89	\$445.89
Subscriber and Family	\$676.29	\$676.29	\$676.29	\$676.29

FULLY-INSURED HMO MONTHLY PREMIUM RATES	
TEXAS UNIVERSITIES HEALTH PLAN	
SAN ANTONIO	
Coverage Level	FY 2001-2002 Proposed Rates
Subscriber Only	\$203.02
Subscriber and Spouse	\$395.58
Subscriber and Child(ren)	\$361.48
Subscriber and Family	\$548.03

DENTAL PLAN MONTHLY PREMIUM RATES				
Coverage Level	U. T. SYSTEM SELF-FUNDED DELTA DENTAL RATES		UNITED DENTAL (DENTAL HMO)	
	FY 2001-2002 Proposed Rates	FY 2000-2001 Current Rates	FY 2001-2002 Proposed Rates	FY 2000-2001 Current Rates
Subscriber Only	\$26.41	\$24.45	\$10.73	\$10.73
Subscriber and Spouse	\$50.14	\$46.43	\$19.94	\$19.94
Subscriber and Child(ren)	\$55.27	\$51.18	\$26.20	\$26.20
Subscriber and Family	\$78.59	\$72.77	\$31.50	\$31.50

FULLY-INSURED VISION PLAN MONTHLY PREMIUM RATES		
Coverage Level	FY 2001-2002 Proposed Rates	FY 2000-2001 Current Rates
Subscriber Only	\$7.22	\$7.22
Subscriber and Spouse	\$11.20	\$11.20
Subscriber and Child(ren)	\$11.46	\$11.46
Subscriber and Family	\$18.48	\$18.48

MONTHLY LIFE INSURANCE PREMIUM RATE
The rates for the monthly life insurance plan will remain the same with the exception of optional coverage for spouse and/or child(ren). The monthly rate for spouse and/or child(ren) coverage will increase from \$2.25 per month to \$2.50 per month to allow for guaranteed coverage without the requirement to prove good health.

It is further recommended the U. T. Board of Regents authorize the Executive Vice Chancellor of Business Affairs to approve a modification to the rates if necessary due to pending action in the 77th Texas Legislative session.

See Supplemental Material, Item 4 on Pages 35a - c for the recommended selection of the self-funded health plan administrator and fully-insured health plan carriers.

BACKGROUND INFORMATION

The 77th Texas Legislature has not yet provided appropriations to fund premium sharing funds for U. T. System employees and retirees. The rates proposed are based on expected funding from the Texas Legislature. It is requested that the Executive Vice Chancellor for Business Affairs be authorized to approve modification of the premium rates presented following final legislation if the appropriated funds fail to provide the required revenue.

Due to the rising cost of health care, the Employee Group Insurance (EGI) office solicited, through a competitive bid process, new contracts for the health plan administrators for the self-funded UT Select PPO medical plan and fully-insured HMOs carriers. New contract requirements were outlined in the competitive bid process to allow for performance penalties, claims target costs, and liquidated damages. In addition, the current UT Select PPO medical plan benefits have been modified due to increasing premium rates. The modified plan offers increased

copayments for office visits but now with no maximum office visit benefit, and coinsurance for other non-office and inpatient services. To reduce the increases in premium rates, an increase in the maximum out-of-pocket cost and office visit copayments under all medical plans has occurred. EGI was able to minimize the impact of the premium increases due to the new contracts, benefit changes, and new carriers. Overall employee and retiree out-of-pocket cost for FY 2002 will increase approximately 22.6%. The recommended premium rates include .5% for EGI operating expenses, \$1.43 per employee per month for Basic Life Insurance and \$1.00 per employee per month for the Employee Assistance Programs offered by the U. T. System.

The proposed monthly premium rates shown for the self-funded UT Select PPO medical plan were established based upon past and projected claims experience and were recommended by Rudd & Wisdom, Inc., a nationally recognized actuarial firm based in Austin, Texas.

The premium rates for the fully-insured HMOs, United Dental HMO and the vision plan were established each organization. The proposed premium rates for the fully-insured dental HMO and vision plan reflect no increase from the current rates offered.

Previously, employees and retirees who declared themselves as smokers and were enrolled in a U. T. self-funded medical or dental plan were assessed a \$10 per month smoker fee. Effective September 1, 2001, the smoker fee will no longer be assessed due to future implementation of the Health Insurance Portability and Protection Act.

6. U. T. Dallas: Request for Authorization to Lease Approximately 10 Acres of Land Located in Richardson, Collin County, Texas, and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

U. T. Dallas has received a request to lease approximately 10 acres of land located in Richardson, Collin County, Texas, for an indoor sports facility to be built and operated by Sportscenter, Inc., Dallas, Texas, or a related entity. If an agreement can be finalized prior to the May 2001 U. T. Board of Regents' meeting, the lease will be presented to the Board for approval. If the terms of the lease have not been agreed upon, this item will be withdrawn and considered at a later date.

7. U. T. M. D. Anderson Cancer Center: Request for Authorization to Enter into a Lease with Introgen Therapeutics, Inc. for a Specialized Laboratory Facility

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 authorize U. T. M. D. Anderson Cancer Center to enter into a lease with Introgen Therapeutics, Inc., for a specialized laboratory facility located in the proximity of the Texas Medical Center.

BUSINESS AFFAIRS AND AUDIT

SUPPLEMENTAL MATERIAL

MAY 10, 2001

6. U. T. Dallas: Request for Authorization to Lease Approximately 10 Acres of Land Located in Richardson, Collin 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 Executive Vice Chancellor for Academic Affairs, and President Jenifer that the U. T. Board of Regents authorize the U. T. System Real Estate Office and the Office of General Counsel to conclude negotiations for a ground lease of approximately 10 acres of land located in Richardson, Collin County, Texas, to Sportscentre, LLP, Dallas, Texas, or a related business entity, for the construction of a commercial indoor sports facility.

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 further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The subject property is an approximately 10-acre portion of a 13.84-acre tract of land located at the southeast corner of Synergy Park Boulevard and Floyd Road in Richardson, Texas.

The improvements to be built on the subject property include a building containing approximately 165,000 square feet of space and a lighted parking lot with approximately 400 spaces. The building will be a commercial indoor sports facility containing soccer fields, volleyball courts, roller hockey rinks, and basketball courts, with architectural design subject to approval of the Facilities, Planning and Construction Committee.

The terms of the ground lease include: (1) a 20-year term with no extension options; (2) a base annual minimum rent of \$210,000, payable at \$17,500 per month, with a CPI index increase every five years; (3) an annual percentage rent payment of 10% of the gross revenues, to the extent it exceeds the annual minimum rent amount; and (4) a reversion of the improvements to U. T. Dallas, at no cost, at the end of the lease term. The form of the lease is subject to the approval of the U. T. System Real Estate Office and the Office of General Counsel.

BACKGROUND INFORMATION

In the interim period between the completion of the South Campus Clinical Research Facility and the Basic Sciences Research Building, U. T. M. D. Anderson Cancer Center has a critical need for specialized laboratory space for its research operations. U. T. M. D. Anderson Cancer Center has, through a formal bidding process, sought bids from facilities in the Texas Medical Center area to lease such space. Introgen Therapeutics, Inc., generated the successful bid.

The proposed lease is submitted to the U. T. Board of Regents for approval as required by Section 618.001 et seq. of the Texas Government Code. The Government Code requires any contract with a person who employs a current or former agency head to be approved by the governing board in an open meeting and requires that the Legislative Budget Board be notified of the terms of the proposed contract at least five days before the board meeting during which the contract will be considered.

Dr. William H. Cunningham, former Chancellor of the U. T. System, has recently accepted a position on the Board of Directors of Introgen Therapeutics, Inc.; therefore, the proposed lease is submitted for approval although Dr. Cunningham's appointment to the Introgen Board is arguably not employment as included in the provisions of State law. Appropriate and timely notice has been given to the Legislative Budget Board.

The initial term of the lease is for eight years with a first renewal option of four years and a second renewal option of three years. The lease also provides for a market rental payment of \$76,841 per month for the first five years, which includes the amount required to reimburse the lessor for improvements to the space, and \$13,053 per month for the remaining three years of the initial term.

INFORMATIONAL REPORT

U. T. System: Discussion of the March 2001 Monthly Financial Report

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will discuss the March 2001 Monthly Financial Report for the U. T. System.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE

Date: May 10, 2001

Time: Following the Meeting of the Business Affairs and Audit Committee

Place: Board Room, 9th Floor, Ashbel Smith Hall

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6. U. T. San Antonio: Request for Authorization to Establish a Doctor of Philosophy Degree Program in Electrical Engineering and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change) 52
7. U. T. San Antonio: Request for Authorization to Establish a Doctor of Philosophy Degree Program in English and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change) 55

1. U. T. Austin: Request for Approval of an Agreement with the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to Support a Joint Initiative to Create the National Center on Educational Accountability

U. T. Austin is currently in negotiations with the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to support a joint initiative to create the National Center on Educational Accountability. It is anticipated that the final agreement will be ready to be presented in advance of the May 2001 meeting of the U. T. Board of Regents.

2. U. T. Austin - Utility Infrastructure Expansion/Upgrade - Phase I: Request for Approval to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project; Appropriate Funds and Authorize Expenditure; Authorize Institutional Management of Project; 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 Executive Vice Chancellor for Academic Affairs, and President Faulkner that the U. T. Board of Regents:

- a. Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Utility Infrastructure Expansion/Upgrade - Phase I project at U. T. Austin at a preliminary project cost of \$8,000,000
- b. Appropriate funds and authorize expenditure of \$8,000,000 from Revenue Financing System Bond Proceeds
- c. Authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the Utility Infrastructure Expansion/Upgrade - Phase I project.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 44 , the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$8,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

This item requires the concurrence of the Facilities Planning and Construction Committee.

BACKGROUND INFORMATION

The Utility Infrastructure Expansion/Upgrade - Phase I project at U. T. Austin involves the engineering analysis and design required to permit the purchase and installation of necessary equipment needed for expansion of the campus utility infrastructure.

Because the project is exclusively a utility infrastructure upgrade entailing equipment expansion, replacement, or renovation of existing facilities, this project would best be managed by the U. T. Austin Facilities Management staff who have the experience and capability to coordinate and manage all aspects of the work.

The debt is to be repaid from U. T. Austin's designated tuition. Debt service for this project during the construction period is projected to be \$360,000 in FY 2003 assuming a 4.5% short-term borrowing rate. Debt service after the construction period is projected to be \$697,476 based on a 6% long-term borrowing rate with a 20-year amortization period. Debt service coverage is expected to be at least 11.2 times based on a designated tuition fee rate of \$40 per semester credit hour. The six-year financing forecast for U. T. Austin projects overall debt service coverage to be at least 1.6 times and the annual debt service to operating expense ratio not to exceed 4.6%. The financing forecast for this project is set forth on Page 45.

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 Utility Infrastructure Expansion/Upgrade - Phase I 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, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 11th day of April, 2001

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

**U. T. Austin - Utility
Infrastructure Expansion/Upgrade - Phase I**

Designated Tuition Budget: (Actual \$)	Actual			Forecast					
	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Beginning Balance	64,263	44,821	348,745	924,558	924,658	924,658	924,658	924,658	924,658
Designated Tuition Fee Receipts	42,101,923	43,752,402	46,663,455	48,871,460	48,522,880	48,270,160	48,350,520	48,357,720	48,357,720
New Debt Service						(360,000)	(697,476)	(697,476)	(697,476)
Mandatory Transfers	(4,629,388)	(4,695,969)	(4,108,719)	(3,986,923)	(3,667,824)	(3,063,374)	(3,618,013)	(3,618,313)	(3,618,313)
Nonmandatory Transfers	(37,491,977)	(38,752,509)	(41,978,923)	(44,884,437)	(44,855,056)	(44,846,786)	(44,035,031)	(44,041,931)	(44,041,931)
Net Increase/Decrease for Year	(19,442)	303,924	575,813	100	-	-	-	-	-
Ending Fund Balance	44,821	348,745	924,558	924,658	924,658	924,658	924,658	924,658	924,658
Debt Service Coverage	9.09	9.32	11.36	12.26	13.23	14.10	11.20	11.20	11.20

Campus Level: (\$ in millions)	Actual			Forecast					
	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>			
Beg. Fund Balance	110.5	141.7	146.2	164.0	170.1	189.1	193.0	211.4	211.5
Total Current Unrestricted Revenues	778.2	771.2	858.9	894.0	943.9	956.6	995.6	1,011.1	1,042.4
Total Current Unrestricted Expenditures	(682.1)	(708.2)	(765.1)	(828.2)	(863.2)	(888.6)	(916.4)	(945.0)	(974.5)
Net Revenues	96.1	63.0	93.8	65.7	80.7	68.0	79.2	66.1	68.0
Debt Service	(24.7)	(27.9)	(31.0)	(40.3)	(41.5)	(38.9)	(40.8)	(38.8)	(41.8)
Other Mandatory Transfers	(0.9)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Mandatory Transfers	(25.6)	(28.4)	(31.3)	(40.7)	(41.9)	(39.3)	(41.1)	(39.2)	(42.2)
Nonmandatory Transfers	(38.7)	(29.1)	(44.1)	(20.6)	(21.2)	(26.2)	(21.1)	(28.2)	(28.2)
Adjustments	(0.7)	(1.0)	(0.6)	1.6	1.4	1.4	1.4	1.4	1.4
Net Inc./Dec. for Year	31.1	4.5	17.8	6.1	19.0	3.9	18.4	0.1	(1.0)
End. Fund Balance	141.7	146.2	164.0	170.1	189.1	193.0	211.4	211.5	210.5
Debt Service Coverage	3.7	2.2	3.0	1.6	1.9	1.7	1.9	1.7	1.6
Debt Service to Operating Expenses	3.5%	3.8%	3.9%	4.6%	4.6%	4.2%	4.3%	3.9%	4.1%

U.T. System (\$ in millions)	Actual			Forecast					
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Available Revenues	4,208.7	4,363.1	4,966.6	5,128.8	5,377.7	5,535.7	5,837.2	6,039.8	6,286.2
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,773.2)	(4,943.8)	(5,107.8)	(5,355.6)	(5,547.3)	(5,769.8)
Net Available for Debt Serv.	297.2	196.6	404.5	355.6	433.9	427.9	481.6	492.5	516.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Debt Service	(84.8)	(95.5)	(116.6)	(137.7)	(156.7)	(155.9)	(171.8)	(166.0)	(168.8)
Debt Service Coverage	3.5	2.0	3.5	2.6	2.8	2.7	2.8	3.0	3.0
Debt Service to Operating Exp.	2.2%	2.3%	2.5%	2.8%	3.1%	3.0%	3.1%	2.9%	2.8%

3. U. T. Pan American - Cooling Plant Upgrade/Thermal Storage: Request for Approval to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project; Appropriate Funds; and Authorize Institutional Management of Project

RECOMMENDATION

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

- a. Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Cooling Plant Upgrade/Thermal Storage project at U. T. Pan American at a preliminary project cost of \$2,000,000 with funding of \$1,500,000 from Gifts and Grants and \$500,000 from Interest on Local Funds
- b. Appropriate funds of \$1,500,000 from Gifts and Grants and \$500,000 from Interest on Local Funds
- c. Authorize U. T. Pan American to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the Cooling Plant Upgrade/Thermal Storage project.

This item requires the concurrence of the Facilities Planning and Construction Committee.

BACKGROUND INFORMATION

The Cooling Plant Upgrade/Thermal Storage project at U. T. Pan American involves a series of upgrades in the present cooling plant. The upgrades will occur mainly in the pump drives and additional equipment will be required for more efficient operation. The addition of a thermal storage tank will increase capacity to provide chilled water for the new Regional Academic Health Center (RAHC) facility.

This repair and rehabilitation project would best be managed by the U. T. Pan American Facilities Management staff who have the experience and capability to manage all aspects of the work.

4. U. T. Pan American: Request for Authorization to Establish a Bachelor of Arts in Dance; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to U. T. Pan American to establish a Bachelor of Arts in Dance, to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action, and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Pan American to reflect authorization for the proposed degree program. 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. Pan American will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

This proposed Bachelor of Arts degree in Dance at U. T. Pan American will require 124 semester credit hours for the performance option and up to 134 hours with teacher certification. Students would enroll in regular courses and gain experience in dance and choreography while participating under faculty supervision in the U. T.

Pan American Folkloric Dance Company and the U. T. Pan American Dance Ensemble. Upon graduation, the students would be prepared as certified teachers of dance, performers, or support staff for dance companies. The curriculum includes instruction in ballet and modern dance. In addition, the curriculum places special emphasis on Mexican and Spanish dance forms.

Need and Student Demand

Except for the Rio Grande Valley, at least one university in each of the major regions of the State offers a bachelor's degree in dance. The Valley needs dance teachers and performers. Of 105 public school principals in the region responding to a survey, 87 reported that they did not currently employ a dance specialist and 91 reported that they would support creation of a program for dance teacher preparation at U. T. Pan American.

Because U. T. Pan American will be the only Texas university to offer specializations in Mexican and Spanish dance, some students from other regions may choose to enroll at U. T. Pan American. Even without considering this special attraction, U. T. Pan American expects to enroll at least 120 dance majors by the fifth year of the program.

Program Quality

U. T. Pan American has two well-known dance performance companies: the U. T. Pan American Folkloric Dance Company (founded in 1970) and the U. T. Pan American Dance Ensemble (founded in 1984). The two companies present approximately 20 annual performances. Students will earn credit for supervised performing and directing with these two groups. In addition, they will be able to take up to 12 regular classes from four full-time faculty members. In addition to these four full-time faculty members, there are several appropriately credentialed staff of the University's dance and theater programs who help teach. The University plans to hire one additional full-time faculty member. The curriculum has been designed to meet the standards of the National Association of Schools of Dance and will also meet all requirements of the State Board for Educator Certification.

Program Cost

The total projected five-year direct cost for the program is estimated to be \$381,944, which includes \$25,000 for outreach and recruitment. One full-time position and one part-time accompanist position will be added as the program matures. By the fifth year, enrollment-generated revenues are expected to be significantly greater than the incremental cost of implementing the program.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

Summary

U. T. Pan American proposes to create a Bachelor of Arts in Dance with performance and teacher certification options. Students will gain supervised experience with the U. T. Pan American Folkloric Dance Company and the U. T. Pan American Dance Ensemble and will be taught by four highly qualified dance professors. Revenues are expected to exceed costs.

A copy of the proposal to establish a Bachelor of Arts in Dance at U. T. Pan American is on file in the U. T. System Office of Academic Affairs.

5. U. T. San Antonio: Request for Authorization to Establish a Doctor of Philosophy Degree Program in Business Administration and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to U. T. San Antonio to establish a Doctor of Philosophy degree program in Business Administration and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed Ph.D. degree will require that the Table of Programs for U. T. San Antonio be amended. It is consistent with the 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

Program Description

U. T. San Antonio proposes to offer the Ph.D. in Business Administration with concentrations in the five traditional areas of accounting, economics, finance, management, and information technology. The program will require 46 semester credit hours of course work beyond the Master's degree plus a dissertation based on original research in the appropriate concentration.

Graduates will be prepared to serve as faculty in colleges of business administration, to conduct research in government agencies and trade organizations, and to serve as consultants to, and functional leaders in, large business organizations.

Need and Student Demand

When fully developed, the program will produce between five and 10 graduates per year. Many of these new U. T. San Antonio graduates are expected to be Hispanic. In 1997-98, the most recent year for which national data has been published, only 30 of the 1,290 new Ph.D. degrees in business were awarded to Hispanics. Only 55% of the new graduates decided to teach. Other new graduates pursued positions in government, trade associations, consulting organizations, and large corporations. Demand in these areas is expected to grow significantly in the next few decades. As college enrollment doubles in Texas, and as the present generation of faculty retires, the need for new faculty is expected to be particularly strong. With this program, U. T. San Antonio expects to make a significant contribution to the production of new faculty.

Program Quality

On a site visit during the week of February 5, 2001, University of Cincinnati Professor Ralph Katerberg and Texas Tech University Professor Scott Hein reviewed the program. In their report, these external consultants determined that the College of Business is capable of delivering a high quality Ph.D. program. They stated:

To be successful, a Ph.D. program in business administration first and foremost needs the faculty capable of such instruction and secondly, the administrative support that will provide the necessary resources. The review of the proposed program at U. T. San Antonio suggests that these ingredients are in place to start such a program.

The faculty has been markedly improved in recent years with new hires. The faculty, as a whole, has generally been active in research and publication in recent years, and the new hires seem to be inclined in the same direction, if not already active in their own research before coming to U. T. San Antonio. An active research and publication focus is critical for the establishment of the Ph.D. program in business administration. The outside reviewers concur that the faculty on hand have such a research focus and orientation to begin the process of Ph.D. instruction and student development.

They also observed: "In the area of office space, personal computers, multimedia classrooms, video-teleconferencing, and other areas the college of business appears to be much better equipped and advanced than many business schools. The introduction of a Ph.D. in business administration should not significantly increase the needs in this area."

Program Cost

By the fifth year of program operation, U. T. San Antonio estimates that the cost of operating the program will be \$770,000. Revenues available to meet that cost will be \$1.37 million. Thus, the University anticipates a significant surplus available to enhance the quality of this doctoral program and other University activities. The University has committed adequate start-up funds to the program.

Summary

U. T. San Antonio is requesting authorization to establish a Doctor of Philosophy in Business Administration with concentrations in accounting, economics, finance, management, and information technology. The demand for graduates in all of these areas is expected to grow significantly in the next few decades. External consultants have determined that the College of Business is capable of delivering a high quality program.

A copy of the proposal to establish a Doctor of Philosophy in Business Administration at U. T. San Antonio is on file in the U. T. System Office of Academic Affairs.

6. U. T. San Antonio: Request for Authorization to Establish a Doctor of Philosophy Degree Program in Electrical Engineering and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to U. T. San Antonio to establish a Doctor of Philosophy degree program in Electrical Engineering and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed Ph.D. degree will require that the Table of Programs for U. T. San Antonio be amended. It is consistent with the 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

Program Description

U. T. San Antonio proposes to offer the Ph.D. in Electrical Engineering with a focus on signals and systems. This focus reinforces and supports the existing Ph.D. programs in neurobiology and computer sciences. It will also support and reinforce the information systems part of a proposed Ph.D. in Business Administration. (See Item 5 on Page 49.)

The program requires 30 semester credit hours of course work beyond the Master's degree plus a satisfactory dissertation based on original research in the area of signals and systems. Graduates will be prepared to serve as faculty in electrical engineering departments, to conduct research in government and industrial laboratories, and/or to develop new products and processes related to transmitting and processing signals and digitized information.

Need and Student Demand

Automated transmission and processing of digitized information of all types has already become a central part of daily life, from processing signals for a cell phone call to creating an image of a diseased human organ with a CAT scan. New approaches to transmitting and processing digitized information and, consequently, new products and services will be based on research in the signals and systems subfields of electrical engineering. An adequate supply of electrical engineers is a key element in creating a prosperous society.

All other major cities in Texas except San Antonio have one or more Ph.D. programs in electrical engineering. San Antonio has a high-tech industry that needs access to a Ph.D. in electrical engineering and the Austin area high-tech industry needs more access than U. T. Austin can provide. Thus, further development of the high-tech industry in Central Texas would be supported by the proposed Ph.D. in Electrical Engineering. Nationally, industry also has a large need for new electrical engineering graduates at the bachelor level. A substantial increase in the production of doctorates in electrical engineering is needed to meet the ongoing State and national need for bachelor-level engineers and to replace retiring faculty.

The University is especially well prepared to attract first generation Mexican-American students to this field. While building on a core of its own students, U. T. San Antonio has plans to vigorously recruit capable students from other universities, especially universities in Texas and the Southwest. The University expects to admit approximately 10 new students per year to this program.

Program Quality

During a site visit on February 8 and 9, 2001, the program was reviewed by Dr. Susan Hackwood, Executive Director of the California Council on Science Technology and founding Dean of Engineering at the University of California, Riverside, and by Dr. Frank L. Lewis, the Moncrief-O'Donnell Professor of Electrical Engineering at U. T. Arlington. In their report, these external consultants determined that the department is capable of delivering a high quality Ph.D. program.

U. T. San Antonio currently has a strong group of master's-level students who are doing Ph.D.-level research but are unable to pursue the Ph.D. degree. The department has facilities and equipment to support Ph.D.-level research and a core faculty who are actively engaged in research. External funding per faculty member for this group exceeds \$100,000 per year and is comparable to that in many established Ph.D. granting departments. Five years into the proposed program, average faculty funding is estimated to exceed \$150,000 per year.

The University is committed to filling additional faculty positions with research scholars in electrical engineering. The University has good local support for the doctoral program, especially from the Southwest Research Institute and Brooks Air Force Base. The program is appropriately focused to take advantage of the modest size faculty in electrical engineering and to make significant contributions to an important subfield within electrical engineering.

Program Cost

The program will require sufficient additional faculty to teach up to six new doctoral-level courses per term and to mentor approximately 20 students in the active dissertation phase of their work. To be competitive for quality doctoral students, the department will have to provide sufficient financial support through teaching assistantships, research assistantships, and fellowships for a minimum of 25 students per year. Student aid will be funded by reallocating some formula-funded teaching duties to the doctoral students and by using externally generated research support to pay research assistant stipends. When the program is fully developed in the fifth year, the additional cost of operation is projected to be approximately \$1.03 million and revenues are expected to be at least \$1.83 million, with potential additional financial and in-kind support from the local business community.

Summary

U. T. San Antonio is requesting authorization to establish a Doctor of Philosophy in Electrical Engineering. There is a strong national and local need for additional doctorates in electrical engineering both to support the high-tech industry and to prepare additional undergraduate students to work as electrical engineers in the digital age. The University has the capacity to conduct a high quality program and estimates that fifth-year revenues for the program will exceed costs by approximately \$800,000.

A copy of the proposal to establish a Doctor of Philosophy in Electrical Engineering at U. T. San Antonio is on file in the U. T. System Office of Academic Affairs.

7. U. T. San Antonio: Request for Authorization to Establish a Doctor of Philosophy Degree Program in English and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to U. T. San Antonio to establish a Doctor of Philosophy degree program in English and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed Ph.D. degree will require that the Table of Programs for U. T. San Antonio be amended. It is consistent with the 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

Program Description

U. T. San Antonio proposes to offer the Ph.D. in English with an emphasis on preparing the next generation of faculty to teach in a culturally diverse, technologically sophisticated global society. To achieve that goal, U. T. San Antonio has assembled a faculty with demonstrated scholarship in the study of intersecting literary cultures and the impact of those cultures on English language literature. The scholars place special emphasis on the impact of the intersection of Mexican-American, African-American, and Anglo cultures.

Curriculum and program procedures have been designed to provide each graduate:

- a. An in-depth knowledge of how intersecting literary cultures have shaped literature,
- b. Experience in applying cross-cultural awareness in teaching about writing and literature,
- c. The ability to conduct original research that will add to the body of knowledge of cross-cultural impacts on English literature, and
- d. The ability to use appropriate emerging technologies in teaching and research, especially the teaching of writing.

The Ph.D. in English will be closely related to the recently approved Ph.D. in Culture, Literacy, and Language and has potential intellectual links to the language, linguistics, and communications aspects of the Ph.D. in Biology (neurobiology emphasis), the proposed Ph.D. in Electrical Engineering (signals and systems), and the Ph.D. in Computer Science. (See proposed Item 6 on Page 52.)

Need and Student Demand

When fully developed, the program will produce between five and 10 graduates per year. Because this program will prepare students to teach and conduct research in a cross-cultural environment, these graduates are expected to be among the most sought after of the approximately 1,500 new Ph.D. graduates in English each year in the U. S. Many of the new U. T. San Antonio graduates are expected to be Hispanic. In 1997-98, the most recent year for which national data has been published, only 47 of the 1,639 new Ph.D. graduates in English were Hispanic, though Hispanic faculty are highly sought after by English departments.

In Texas, there are currently five public universities and two private universities that award the Ph.D. in English. Of those, only U. T. Austin offers a concentration that addresses the impact of other cultures on English literature. Unlike the U. T. San Antonio program that will emphasize Mexican-American and Latina/Latino literature, the U. T. Austin program emphasizes Third World literature.

The demand for new Ph.D. graduates in English is expected to grow significantly during the next 30 years. A large fraction of the current faculty entered the professorate in the 1960s and will soon retire. They must be replaced at the same time that enrollments begin to grow. If Texas is successful in closing the enrollment and graduation gap, the number of students in Texas public colleges and universities will double in the next 30 years and most of the growth will be accounted for by Hispanic and other minority students. Thus, in Texas and the rest of the Southwest, there will be a strong need for English teachers in general and, especially, for English faculty with cross-cultural training.

Program Quality

During a site visit the week of February 19, 2001, University of North Carolina at Chapel Hill Professor Linda Wagner-Martin and Stanford University Professor Ramón Saldivar reviewed the program. In their report, these external consultants determined that the department is capable of delivering a distinctive, nationally important and high quality Ph.D. program. They reported, "The practical and clearly useful emphases of the proposed doctoral program will enable it to become a national magnet program." They also reported that, "The strengths of this proposed program are already in place. They are both the intrinsic quality of the faculty who already teach in the Department of English, and the newly hired faculty members whose specialties are Mexican-American literature; as well as the capable and farsighted administrative corps who have encouraged this kind of program innovation."

The English program currently has 26 faculty members including nationally recognized experts in Mexican-American literature. This faculty has already integrated most of the cross-cultural literary and pedagogical elements of the proposed doctoral program into the Master's curriculum.

Program Cost

The current number of faculty is more than adequate to initiate the program. With the general growth of the University, more English faculty will be hired. All of the new hires will be recruited with capabilities for supporting the program. Thus, while additional resources will be needed to handle the workload created by offering this program, there are no specific staffing gaps that must be filled.

When fully operational, the program will require five new courses per semester. Those five courses, plus the supervision of dissertations, will require approximately two additional faculty members. The estimated annual cost of new faculty, an administrative assistant, and some library augmentation for the fifth year, when the program becomes fully operational, is estimated to be \$40,000. Formula generated revenues for that year are estimated to be \$61,000.

Summary

U. T. San Antonio proposes to offer the Doctor of Philosophy in English. The program will have a special emphasis on the literary impact of the intersection of Mexican-American, African-American, and Anglo cultures. A program with this unique emphasis will be particularly valuable to colleges and universities in the Southwest, especially in Texas.

Consultants find that U. T. San Antonio is well prepared to offer this program. The study of intersecting literary cultures and pedagogical techniques for successfully teaching in multicultural classrooms is already well integrated into the Master's program. As the University continues to grow, it will recruit additional faculty for the English program. All of them will be selected, in part, for their ability to contribute to the Ph.D. program. When fully operational, program revenues will offset program cost.

A copy of the proposal to establish a Doctor of Philosophy in English at U. T. San Antonio is on file in the U. T. System Office of Academic Affairs.

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE

Date: May 10, 2001
Time: Following the Meeting of the Academic Affairs Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

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1. U. T. System: Recommendation for Approval to Decrease the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2001

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the premium rates for The University of Texas System Professional Medical Liability Benefit Plan be decreased, with 50% of the decrease attributable to reductions of 7.5% for U. T. System faculty physicians and 12.5% for resident physicians effective September 1, 2001.

It is further recommended that 50% of the premium reduction be based on the actuarially determined experience of each U. T. System health component by risk class, with proposed rates as follows:

RISK CLASS 1

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,172	\$ 1,248	\$ 2,004	\$ 1,080	-7.7%	-13.5%
UTSMCDAL	1,968	1,128	1,800	972	-8.5%	-13.8%
UTMB	2,700	1,548	2,532	1,368	-6.2%	-11.6%
UTHSCHOU	2,376	1,368	2,208	1,200	-7.1%	-12.3%
UTHSCSA	2,316	1,332	2,148	1,164	-7.3%	-12.6%
UTHCTY	2,484	1,428	2,304	1,248	-7.2%	-12.6%

RISK CLASS 2

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,712	\$ 1,560	\$ 2,508	\$ 1,356	-7.5%	-13.1%
UTSMCDAL	2,460	1,416	2,256	1,224	-8.3%	-13.6%
UTMB	3,372	1,944	3,168	1,716	-6.0%	-11.7%
UTHSCHOU	2,976	1,704	2,760	1,500	-7.3%	-12.0%
UTHSCSA	2,892	1,668	2,688	1,452	-7.1%	-12.9%
UTHCTY	3,108	1,788	2,880	1,560	-7.3%	-12.8%

RISK CLASS 3

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 4,344	\$ 2,496	\$ 4,008	\$ 2,172	-7.7%	-13.0%
UTSMCDAL	3,936	2,268	3,600	1,956	-8.5%	-13.8%
UTMB	5,400	3,108	5,064	2,748	-6.2%	-11.6%
UTHSCHOU	4,752	2,736	4,416	2,388	-7.1%	-12.7%
UTHSCSA	4,632	2,664	4,296	2,328	-7.3%	-12.6%
UTHCTY	4,968	2,856	4,608	2,496	-7.2%	-12.6%

RISK CLASS 4

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$10,104	\$ 5,808	\$ 9,324	\$ 5,052	-7.7%	-13.0%
UTSMCDAL	9,156	5,268	8,376	4,536	-8.5%	-13.9%
UTMB	12,552	7,224	11,772	6,384	-6.2%	-11.6%
UTHSCHOU	11,052	6,360	10,272	5,568	-7.1%	-12.5%
UTHSCSA	10,764	6,192	9,984	5,412	-7.2%	-12.6%
UTHCTY	11,556	6,648	10,716	5,808	-7.3%	-12.6%

RISK CLASS 5

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$14,124	\$ 8,124	\$13,032	\$ 7,056	-7.7%	-13.1%
UTSMCDAL	12,792	7,356	11,700	6,336	-8.5%	-13.9%
UTMB	17,556	10,092	16,464	8,916	-6.2%	-11.7%
UTHSCHOU	15,444	8,880	14,352	7,776	-7.1%	-12.4%
UTHSCSA	15,060	8,664	13,968	7,572	-7.3%	-12.6%
UTHCTY	16,152	9,288	14,976	8,124	-7.3%	-12.5%

BACKGROUND INFORMATION

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

health institutions of the U. T. System. On May 10, 2000, the U. T. Board of Regents approved a decrease in premium rates for the Plan effective September 1, 2000, with 50% based on experience and 50% attributable to an 11.5% decrease.

There are currently 6,114 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. A total of 3,345 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

Actuaries from Tillinghast-Tower and Perrin, the nation's largest medical liability self-insurance plan actuarial firm, have reviewed the Plan's 23-year experience and recommend experienced-based premiums related to the claims loss of each U. T. System health component. The recommended rate decrease will result in the Plan's premium rates remaining approximately 50% below the rate for similar coverage from commercial insurers.

2. U. T. Medical Branch - Galveston: Request for Authorization to Acquire Approximately 5.349 Acres of Land Located in Blocks 485, 674, and 675 in Galveston, Galveston 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 Executive Vice Chancellor for Health Affairs, and President Stobo that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Medical Branch - Galveston, to acquire approximately 5.349 acres of land located in Blocks 485, 674, and 675 in Galveston, Galveston County, Texas, at a price not exceeding the property's fair market value as determined by an MAI appraisal.

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 further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property consists of approximately 5.349 acres of land located in Blocks 485, 674, and 675 in Galveston, Galveston County, Texas. This property will be included in U. T. Medical Branch - Galveston's Campus Master Plan.

The proposed acquisition of Block 485 expands U. T. Medical Branch - Galveston's central campus to include a portion of Block 485 that is located south of Market Street, north of Post Office Street, and east of Sixth Street (also known as University Boulevard). U. T. Medical Branch - Galveston desires to realign its main entry to the campus on Sixth Street by acquiring a portion of Block 485.

The proposed acquisition of Blocks 674 and 675 will allow the construction of additional student housing and surface parking and will expand the link from the central campus to the west end of campus. Block 674 includes a historical marker acknowledging the property as the site of the residence of the legendary pirate Jean Lafitte. Any development plans will respect the marker and residence foundation. Block 675 is currently used by the Galveston Housing Authority to provide affordable housing, and any development of the site will be planned to minimize impact on the residents and the availability of public housing.

3. U. T. Medical Branch - Galveston: Request for Authorization to Establish a Master of Public Health Degree and to Amend the U. T. Board of Regents' Table of Programs Accordingly; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met Except for Previous Approval of Planning Authority

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Stobo that authorization be granted to U. T. Medical Branch - Galveston to establish a Master of Public Health degree program and to amend the U. T. Board of Regents' Table of Programs accordingly; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to

certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met except for previous approval of planning authority. In addition, the Coordinating Board will be asked to change the approved Table of Programs for U. T. Medical Branch - Galveston to reflect authorization for the proposed degree program. 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. Medical Branch - Galveston will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposed Master of Public Health (MPH) degree program at U. T. Medical Branch - Galveston will support the resident training program in Preventive Medicine. This program evolved from a Master of Science in Preventive Medicine and Community Health degree that has been offered since 1952 and accredited by the Council on Education for Public Health as an MPH equivalent since June 1999. The program provides for a 36 semester credit hour course of study that is required for the first year of the Preventive Medicine Residency. The graduate program in Preventive Medicine and Community Health through the U. T. Graduate School of Biomedical Sciences - Galveston currently serves about 12 students per year. The U. T. Medical Branch - Galveston offers the only university-based residency program in the United States to provide all recognized specialty areas in preventive medicine. Upon approval by the Coordinating Board, degrees could be awarded to students already enrolled at the institution and completing all courses required for the Master of Public Health program as early as July 2001.

Need and Student Demand

National trends described by the Institute of Medicine and others highlight the growing importance of academic training in public health and prevention for physicians and other primary care providers. The American Board of Preventive Medicine has recognized this need by warranting the Master of Public Health or its equivalent degree as the appropriate academic core of all preventive medicine residencies.

The Master of Public Health degree is key to professional standing in preventive medicine in all three specialty areas: aerospace medicine, occupational medicine, and general preventive-correctional health. The demand for graduates of this program is high in Texas, in the United States, and internationally.

U. T. Medical Branch - Galveston offers the only program of its kind in the world that is a full partnership with National Aeronautics and Space Administration (NASA) and its international counterparts such as NASDA, the Japanese Space Agency. The NASA training agreement denotes that physicians from its international partners in the "Space Station Alpha Program" will be trained at U. T. Medical Branch - Galveston. There is also great interest in occupational medicine and general preventive medicine training from international students, especially in the area of correctional health.

Program Quality

The curriculum has been modified from the Master of Science in Preventive Medicine and Community Health to meet the accreditation criteria of the Council on Education for Public Health that accredited the program in June 1999.

The curriculum is accomplished in a single degree plan followed by all students in a sequence that builds logically on foundation concepts presented in the basic core of public health with a unifying theme being their integration and application in experience learning done under the guidance of preceptors working in public health settings. There is modest time for elective study that allows students to pursue their own unique or career-oriented interests. The program culminates with a traditional thesis, the publication of a paper in the peer-reviewed literature, or the presentation of a capstone report.

To be eligible for consideration for admission to the Master of Public Health degree program, the candidate must be a graduate of an accredited medical school or its equivalent; have successfully completed residency training in a discipline of medicine; have a Graduate Record Examination Test score deemed acceptable by the program admissions committee; and have a minimum score of 550 on the Test of English as a Foreign Language for applicants whose native language is not English. Most applicants will have work experience in medicine and be adult learners committed to a career in preventive and public health. All applicants will be interviewed prior to final admission.

The faculty members available to support the program include leaders in their disciplines and in the field of public health. By credential designation, those holding primary appointments include six with the M.D. degree and 17 with the

Ph.D. degree, and those holding secondary appointments include five with the M.D. degree and 24 with a Ph.D. degree. The faculty will serve as role models in their practice of public health and in contributions to research, education, and service.

Program Cost

The Master of Public Health program requires no new funds. Funds have been reallocated from existing resources. The costs for the first year are estimated to be \$177,498 and costs for the second year are estimated to be \$182,823. The increase in subsequent years should not exceed 3%. The reallocated costs for the Master of Public Health degree program have been integrated into the School of Medicine Department of Preventive Medicine and Community Health and the Graduate School of Biomedical Sciences program in Preventive Medicine and Community Health over the past three years. These costs have included allocations for faculty and staff salaries and maintenance and operation. Therefore, current and future costs are part of the current and future operating budgets. Additional support will come from U. T. Medical Branch - Galveston endowments and faculty-generated funds as needed.

Coordinating Board Criteria

The program meets seven of the eight applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board. The proposed Master of Public Health degree program is not included in the Table of Programs previously approved by the Coordinating Board for the U. T. Medical Branch - Galveston; therefore, the proposed degree program does not meet the Certification for Approval of a New Bachelor's and Master's Level Degree Program by the Commissioner and must be approved by the Coordinating Board.

Summary

U. T. Medical Branch - Galveston is requesting authorization to establish a Master of Public Health degree program and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval. Texas has the opportunity, in the approval of this program, to become the premier training site for preventive medicine and to meet the need for future leaders in the field.

A copy of the proposal to establish the Master of Public Health degree program at U. T. Medical Branch - Galveston is on file in the U. T. System Office of Health Affairs.

4. U. T. Health Science Center - Houston - Recreation Center Reconstruction: Request for Approval to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project; Appropriate Funds; and Authorize Institutional Management of 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 Willerson that the U. T. Board of Regents:

- a. Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Recreation Center Reconstruction project at U. T. Health Science Center - Houston at a total project cost of \$3,000,000
- b. Appropriate funds of \$3,000,000 from Insurance Proceeds and Auxiliary Enterprise Balances
- c. Authorize U. T. Health Science Center - Houston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the Recreation Center Reconstruction project.

This item requires the concurrence of the Facilities Planning and Construction Committee.

BACKGROUND INFORMATION

The Recreation Center Reconstruction project at U. T. Health Science Center - Houston involves the replacement of the facility that was destroyed by fire on January 19, 2001. Replacing the Recreation Center at the earliest possible date will greatly benefit the institution's personnel and students.

The Recreation Center Reconstruction project, at a total project cost of \$3,000,000, is to be funded from Insurance Proceeds and Auxiliary Enterprise Balances. The insurance claim is under evaluation to determine the amount of funding available from Insurance Proceeds. Auxiliary Enterprise Balances will cover all costs in excess of funding provided by the Insurance Proceeds. The insurance claim is expected to be resolved shortly following the May 2001 U. T. Board of Regents' meeting; however, the campus would like to expedite the process of selecting an architect and initiating replacement of the facility. The proration of sources of funds will be determined upon completion of the insurance claim review process and will be submitted to the U. T. Board of Regents for approval at the August 2001 meeting, in accordance with the Regents' Rules and Regulations, Part Two, Chapter VII, Section 4.

This replacement project will consist of a number of separate projects that can be best managed by the U. T. Health Science Center - Houston Facilities Management staff who have the experience and capability to manage all aspects of the work.

5. U. T. Health Science Center - Houston: Request for Authorization to Offer a Doctorate of Science in Nursing Degree at a Distance in El Paso in Collaboration with U. T. El Paso and Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Willerson that authorization be granted to the U. T. Health Science Center - Houston to offer a Doctorate of Science in Nursing at a distance in El Paso in collaboration with U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Health Science Center - Houston will be amended to reflect this action.

BACKGROUND INFORMATION

U. T. Health Science Center - Houston is requesting approval to offer its current Doctorate of Science in Nursing degree program at a distance in El Paso in collaboration with the U. T. El Paso College of Health Sciences School of Nursing. This request arises from a pilot outreach study that began in 1998 with funding provided by the United States Department of Health and Human Services, Public Health Service Division of Nursing. The pilot study has been so successful that the U. T. Health Science Center - Houston, through its School of Nursing, wishes to formalize the project into an ongoing distance education program. Since 1998, nine students have been admitted to the Doctorate of Science in Nursing degree program at the collaborative outreach site at the U. T. El Paso College of Health Sciences.

Even though U. T. Health Science Center - Houston currently has authority to offer the Doctorate of Science in Nursing degree program, approval by the U. T. Board of Regents and subsequent approval by the Coordinating Board is required to offer this program at a distance.

The Doctorate of Science in Nursing is the only practice-oriented professional doctorate program in Texas. The closest program is located in San Antonio over 540 miles from El Paso. The faculty and administration at U. T. El Paso specifically sought collaboration with the U. T. Nursing School - Houston because the Doctorate of Science in Nursing program was a better match for the community's need to solve clinically based problems. The demographics of the area, coupled with a 1997 survey of alumni from the U. T. El Paso Master of Science in Nursing, demonstrate that there is a need for this kind of training in the El Paso area.

The overall purpose of offering the practice-oriented Doctorate of Science in Nursing degree at a distance in El Paso is to improve access to this program by nurses in El Paso and rural West Texas. All required courses will be offered at the U. T. El Paso collaborative outreach site via distance education technology or will be taken at the U. T. Health Science Center - Houston School of Public Health satellite campus at U. T. El Paso. Cognate and elective courses can be taken at U. T. El Paso or through any other graduate program approved by the student's academic advisor. The combination of courses taken at the U. T. Nursing School - Houston outreach site in El Paso, cognate and elective courses taken in graduate programs at U. T. El Paso, and required Doctorate of Science in Nursing courses offered via distance learning technology will enable Doctorate of Science in Nursing students to complete as much as 75% of the course work and all of the clinical requirements without traveling to Houston. The courses and degree requirements will remain the same regardless of the method of delivery. Interactive television will be used to

deliver eight courses from U. T. Health Science Center - Houston to U. T. El Paso. All courses will be offered to students at U. T. El Paso and at U. T. Health Science Center - Houston simultaneously to allow interaction with faculty and other students regardless of location. This modality has been successful in the pilot phase with positive evaluations from both students and faculty.

To the extent possible, students at the U. T. El Paso collaborative outreach site will receive student support services comparable to that provided to students in Houston. These services include admission, registration, and records maintenance through the U. T. Health Science Center - Houston Registrar's Office; registration via the internet, by mail, or in person in Houston; new student orientation; student advisement; student health services through a cooperative arrangement with U. T. El Paso; and dialup electronic mail and internet access. Students will have access to the Texas Medical Center/Houston Academy of Medicine library resources through the internet and to resources of the U. T. El Paso library.

No new State funds will be needed to support this program. Reallocation of resources within the U. T. Nursing School - Houston budget has already been made to accommodate the needs of the Doctorate of Science in Nursing degree program. Funding for direct expenses for the outreach program will come from the formula and local revenue.

A copy of the proposal for U. T. Health Science Center - Houston to offer the Doctorate of Science in Nursing degree at a distance in El Paso is on file in the U. T. System Office of Health Affairs.

6. U. T. Health Science Center - San Antonio: Request for Authorization to Establish a Master of Medical Science Degree; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Cigarroa that authorization be granted to U. T. Health Science Center - San Antonio to establish a Master of Medical Science degree; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

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

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

BACKGROUND INFORMATION

Program Description

The proposed Master of Medical Science degree program for U. T. Health Science Center - San Antonio is designed to educate and train physician assistants. This proposed program will replace the current baccalaureate Physician Assistant degree program. The program provides for a 124 semester credit hour curriculum. The Department of Physician Studies in the U. T. Allied Health Sciences School - San Antonio will offer the program. The distinguishing features of the program are

collaborative courses with medical and allied health students, a required community medicine project, clinical experiences in South Texas, medical Spanish, and an emphasis on cultural understanding. The program targets students who are residents of South Texas. The anticipated date of enrollment for the first class is May 2003.

Need and Student Demand

The U. S. Department of Labor predicted the demand for physician assistants will increase by 36% during the period 1998 to 2008. Texas ranks 32nd in physician assistants per capita. All of the southern 43 counties of Texas have whole or partial designations as medically underserved or health professions shortage areas. The area is predominantly Hispanic with 35% of the population having no health insurance. Physician Assistants enter rural and small community practices in greater percentages than any other health profession group. Graduates will provide health care and medical services with physician supervision. Within the physician/physician assistant relationship, physician assistants exercise autonomy in medical decisions and provide a broad range of diagnostic and therapeutic services that will serve and benefit the people of South Texas.

For classes beginning in 2001, there were 1,479 applications to Physician Assistant programs in Texas. There were 203 positions available. The U. T. Health Science Center - San Antonio Physician Assistant degree program had 215 applicants for 20 positions. These numbers indicate high demand for the program. Department of Labor forecasts indicate that this demand will be sustained. It is expected that the number of students accepted will increase as resources allow. Current plans include increasing class size to at least 30 students. Recent studies have indicated that the job market for physician assistants in Texas leads the nation.

Program Quality

The curriculum will be completed at U. T. Health Science Center - San Antonio in three years, divided into very distinct periods. The first year will represent the senior year of college and is designed to provide the basic science background necessary for the professional phases. The second year will be a didactic year of basic medical sciences concentrating on clinical applications. The third year will consist of supervised clinical practice in rotation sites throughout South Texas with an emphasis on primary care.

To be eligible for consideration for admission in the Master of Medical Science degree program, the candidate must have 90 semester hours of transferable credit from a regionally accredited university or college. Thirty of those hours must be upper-division courses from a four-year institution. This includes the core Texas requirements for baccalaureate degrees. The student must have a 2.75 overall grade point average including a 2.75 grade point average for prerequisites, including the last 30 hours attempted, and science.

Admission preferences in the Master of Medical Science degree program will be South Texas residents, with bilingual ability, especially in Spanish, and the likelihood to practice in rural, underserved South Texas sites.

The core faculty includes three physician assistants and a physician. Adjunct and clinical faculty provide didactic and clinical instruction and supervise students on clinical rotations. Administration of the U. T. Allied Health Sciences School - San Antonio is working with a number of other areas of the University for continued and new instruction and collaborative teaching. An additional faculty member will be added in FY 2002. The Chair of the Department is nationally known, has published textbooks and research papers in the area, has served as President of the American Association of Physician Assistants, and is currently editor of the primary professional journal.

Program Cost

The cost for the proposed program will not increase relative to the current program. The State formula funding will cover the cost of the program. Additional funds will be sought through training and research grants. Total costs will be relative to the number of students enrolled in the Master of Medical Science degree program and addition of faculty and staff to provide for the education and training of those students.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

Summary

U. T. Health Science Center - San Antonio is requesting authorization to establish a Master of Medical Science degree program and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval. There is a strong need for this degree in the South Texas region. The proposed degree will help fill this need and better serve the South Texas region.

A copy of the proposal to establish a Master of Medical Science degree program at U. T. Health Science Center - San Antonio is on file in the U. T. System Office of Health Affairs.

7. U. T. M. D. Anderson Cancer Center: Request for Authorization to Acquire the Fannin Holcombe Building Located at 6900 Fannin Street in Houston, Harris County, Texas; Authorization to Submit a Request to the Coordinating Board for Approval of the Transaction; and Authorization to 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 authorization be granted by the U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to:

- a. Acquire the Fannin Holcombe Building located at 6900 Fannin Street in Houston, Harris County, Texas, from Southern Lights Investment Company, N V, a Dutch corporation with an office in Houston, Texas, at fair market value as determined by an MAI appraisal
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of this transaction.

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 further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center currently leases more than 250,000 square feet of space in various locations. The continued expansion of U. T. M. D. Anderson Cancer Center requires additional space for the relocation and consolidation of departments. Absorption of available office space within a two-mile radius of the Texas Medical Center is now approaching 100% occupancy. Alternatives are now limited to new construction or the purchase of existing buildings.

The Fannin Holcombe Building is an 11-story office building containing 215,000 gross square feet on approximately 1.309 acres of land. It is located on the southwest corner of Fannin Street and Holcombe Boulevard and is directly across the street from the Houston Main Building site where U. T. M. D. Anderson Cancer Center is constructing the new Ambulatory Clinical Building. U. T. M. D. Anderson Cancer Center currently leases 78,000 square feet out of the total 199,046 net square footage in the Fannin Holcombe Building. The leases will expire in August 2002. The Fannin Holcombe Building parking garage has 672 existing spaces and may be expanded to accommodate approximately 96 additional vehicles.

The Fannin Holcombe Building was built in 1967. An evaluation of the building indicates that it is in generally good condition, with a number of building system and interior upgrades completed by the current owner in the last four years. The interior is standard construction allowing flexibility to meet different space configurations.

The appraised value of the Fannin Holcombe Building is \$25,300,000, exclusive of closing costs. The location of the building provides excellent access to the U. T. M. D. Anderson Cancer Center campus and the Texas Medical Center. The Fannin Holcombe Building is accessible from Fannin Street for visitor and contract parking. Financial analysis indicates that U. T. M. D. Anderson Cancer Center will recoup the purchase cost of the Fannin Holcombe Building within five to six years, including normal operating and maintenance costs, by reduced lease expenses. U. T. M. D.

Anderson Cancer Center will be able to offset the investment in the Fannin Holcombe Building by reducing future lease payments, currently recorded as operating costs on the income statement. Any project funds remaining after closing costs will be used for tenant improvements.

8. U. T. Board of Regents: Celebration of Achievements on the Occasion of the 60th Anniversary of U. T. M. D. Anderson Cancer Center

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs that the U. T. Board of Regents pass the following resolution:

WHEREAS, The U. T. Board of Regents takes great pride in celebrating the achievements of the U. T. M. D. Anderson Cancer Center on the occasion of its 60th anniversary;

WHEREAS, U. T. M. D. Anderson Cancer Center has achieved an international reputation for excellence and has been ranked by U. S. News and World Report as the nation's best cancer hospital;

WHEREAS, Nearly 500,000 people -- the majority of them, Texans -- have been served at U. T. M. D. Anderson Cancer Center in Houston, and other patients throughout the world have benefited from numerous research discoveries made by the institution's faculty and staff;

WHEREAS, All Texans forced to contend with cancer benefit from having a center of such exceptional merit attending to their health needs;

WHEREAS, This fine medical institution sets an international standard of care for cancer patients and truly brings honor to Texas;

WHEREAS, More than 40,000 physicians, scientists, nurses, and health-care professionals have trained at U. T. M. D. Anderson Cancer Center, and the institution has embraced cancer prevention, public education, and community service as key elements of its mission;

WHEREAS, The support of the U. T. Board of Regents and the citizen-volunteers of The University Cancer Foundation Board of Visitors has been vital to the success of U. T. M. D. Anderson Cancer Center; and

WHEREAS, Thousands of patients, faculty, employees, volunteers, and donors have come together over the last 60 years to foster the extraordinary partnership that assures U. T. M. D. Anderson Cancer Center will continue making cancer history; now, therefore, be it

RESOLVED, That the U. T. Board of Regents hereby expresses gratitude to the U. T. M. D. Anderson Cancer Center on behalf of all whose lives have been touched by this remarkable institution and extends congratulations on the 60th anniversary to the dedicated faculty, staff, volunteers, and supporters.

**Facilities, Planning & Construction
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Date: May 10, 2001

Time: Following the Meeting of the Health Affairs Committee

Place: Board Room, 9th Floor, Ashbel Smith Hall

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1. U. T. Arlington - Americans with Disabilities Act (ADA) Compliance Projects (Project No. 301-813): Request for Approval to Revise Total Project Cost; Appropriate Additional Funds and Authorize 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	81
2. U. T. Austin - Basketball Support Facility (Project No. 102-053): Request for Approval to Change Funding Source; Authorize Expenditure Prior to Design Development; Increase Budget, Appropriate Funds, and Authorize Expenditure for Repair and Renovation Stage; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	86
3. U. T. Austin - Parking Garage 4B and Office Building (Project No. 102-985): Request for Approval to Revise Total Project Cost; Approval to Redesignate Project; and Appropriation of Additional Funds and Authorization of Expenditure	91
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6.	U. T. Dallas - Callier Center Satellite Facility (Project No. 302-018): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure	95
7.	U. T. Southwestern Medical Center - Dallas - North Campus Phase 3 Expansion - Radiation Oncology Center (Project No. 303-990) (Addition to The Seay Biomedical Building): Request for Approval to Revise Total Project Cost and Appropriate Additional Funds and Authorize Expenditure	96
8.	U. T. Southwestern Medical Center - Dallas - North Campus Phase 4 (Project No. 303-024): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	98
9.	U. T. Health Science Center - Houston - Nursing and Biomedical Sciences Building (Project No. 701-967): Request for Approval to Redesignate Project	103
10.	U. T. M. D. Anderson Cancer Center - Ambulatory Clinical Building (Project No. 703-039): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	104

1. U. T. Arlington - Americans with Disabilities Act (ADA) Compliance Projects (Project No. 301-813): Request for Approval to Revise Total Project Cost; Appropriate Additional Funds and Authorize 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 Executive Vice Chancellor for Academic Affairs, and President Witt that the U. T. Board of Regents:

- a. Revise the total project cost for the Americans with Disabilities Act (ADA) Compliance Projects at U. T. Arlington from \$5,364,883 to \$7,419,883
- b. Appropriate additional funds and authorize expenditure totaling \$2,055,000 with funding of \$1,055,000 from Revenue Financing System Bond Proceeds, \$500,000 from Auxiliary Enterprise Balances, and \$500,000 from Unexpended Plant Funds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 84, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the

Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System

- c. U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$1,055,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Americans with Disabilities Act (ADA) Compliance Projects at U. T. Arlington is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$5,364,883 with funding of \$3,965,000 from Revenue Financing System Bond Proceeds, \$1,178,125 from Permanent University Fund Bond Proceeds, and \$221,758 from Designated Tuition.

U. T. Arlington has requested that the total project cost be increased from \$5,364,883 to \$7,419,883 due to additional requirements for the installation of fire alarm systems to include manual pull stations and audio and visual devices. The additional work is based on a recent inspection by the State Fire Marshall's office requiring improvements to the fire alarm system in the Educational and General Buildings on campus, including compliance with ADA standards.

The additional funding of \$2,055,000 being requested is \$1,055,000 from Revenue Financing System Bond Proceeds, \$500,000 from Auxiliary Enterprise Balances, and \$500,000 from Unexpended Plant Fund Balances for a total project cost of \$7,419,883.

The debt is to be repaid from designated tuition revenues. Annual debt service on \$1,055,000 is projected to be \$91,980 based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage including the additional \$1,055,000 in project costs is expected to be at least 2.79 times based on

a designated tuition fee rate of \$40 per semester credit hour. The six-year financing forecast for U. T. Arlington projects overall debt service coverage to be at least 1.7 times and the annual debt service to operating expense ratio not to exceed 6.1%. The financing forecast for this project is set forth on Page 85.

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 Americans with Disabilities Act (ADA) Compliance Projects at U. T. Arlington, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 11th day of April, 2001

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

**U. T. Arlington -
Americans with Disabilities Act Compliance Projects**

	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Designated Tuition Budget: (Actual \$)									
Beginning Balance	5,427,170	6,198,199	7,101,120	5,334,207	5,821,734	5,272,456	5,433,221	5,385,077	6,752,522
Designated Tuition Fee Receipts	13,197,909	17,738,024	17,320,217	19,785,676	19,823,033	19,962,263	20,128,386	20,296,420	20,491,384
New Debt Service					-	(91,980)	(91,980)	(91,980)	(91,980)
Mandatory Transfers	(5,017,904)	(5,383,939)	(5,490,584)	(6,862,431)	(7,107,331)	(6,166,628)	(6,261,985)	(4,756,531)	(4,735,561)
Nonmandatory Transfers	(7,408,976)	(11,451,164)	(13,596,546)	(12,435,718)	(13,264,980)	(13,542,890)	(13,822,565)	(14,080,464)	(14,221,269)
Net Increase/Decrease for Year	771,029	902,921	(1,766,913)	487,527	(549,278)	160,765	(48,144)	1,367,445	1,442,574
Ending Fund Balance	6,198,199	7,101,120	5,334,207	5,821,734	5,272,456	5,433,221	5,385,077	6,752,522	8,195,096
Debt Service Coverage	2.63	3.29	3.15	2.88	2.79	3.19	3.17	4.19	4.24

	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Campus Level: (\$ in millions)									
Beg. Fund Balance	28.6	29.5	28.7	33.1	37.4	41.0	44.1	48.3	50.5
Total Current Unrestricted Revenues	164.4	165.0	180.8	185.2	188.1	188.7	191.6	192.3	195.2
Total Current Unrestricted Expenditures	(154.5)	(152.5)	(165.5)	(166.0)	(169.6)	(172.3)	(174.0)	(177.7)	(181.5)
Net Revenues	9.9	12.5	15.3	19.2	18.5	16.4	17.6	14.6	13.7
Debt Service	(7.5)	(8.8)	(9.4)	(10.8)	(10.7)	(9.0)	(9.1)	(7.6)	(7.6)
Other Mandatory Transfers	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mandatory Transfers	(7.5)	(8.8)	(9.4)	(10.8)	(10.7)	(9.1)	(9.1)	(7.6)	(7.6)
Nonmandatory Transfers	(0.9)	(3.7)	(0.7)	(3.4)	(3.5)	(3.5)	(3.6)	(4.0)	(4.0)
Adjustments	(0.7)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Net Inc./(Dec.) for Year	0.8	(0.9)	4.5	4.3	3.6	3.1	4.1	2.2	1.3
End. Fund Balance	29.5	28.7	33.1	37.4	41.0	44.1	48.3	50.5	51.8
Debt Service Coverage	1.3	1.4	1.6	1.8	1.7	1.8	1.9	1.9	1.8
Debt Service to Operating Expenses	4.6%	5.5%	5.4%	6.1%	5.9%	5.0%	5.0%	4.1%	4.0%

	Actual			Forecast					
	FY98	FY99	FY00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
U.T. System (\$ in millions)									
Available Revenues	4,208.7	4,363.1	4,966.6	5,128.8	5,377.7	5,535.7	5,837.2	6,039.8	6,286.2
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,773.2)	(4,943.8)	(5,107.8)	(5,355.6)	(5,547.3)	(5,769.8)
Net Available for Debt Serv.	297.2	196.6	404.5	355.6	433.9	427.9	481.6	492.5	516.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Debt Service	(84.8)	(95.5)	(116.6)	(137.7)	(156.7)	(155.9)	(171.8)	(166.0)	(168.8)
Debt Service Coverage	3.5	2.0	3.5	2.6	2.8	2.7	2.8	3.0	3.0
Debt Service to Operating Exp.	2.2%	2.3%	2.5%	2.8%	3.1%	3.0%	3.1%	2.9%	2.6%

2. U. T. Austin - Basketball Support Facility (Project No. 102-053): Request for Approval to Change Funding Source; Authorize Expenditure Prior to Design Development; Increase Budget, Appropriate Funds, and Authorize Expenditure for Repair and Renovation Stage; 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 Executive Vice Chancellor for Academic Affairs, and President Faulkner that the U. T. Board of Regents:

- a. Approve changing the source of funds for the Basketball Support Facility at U. T. Austin from \$7,500,000 from Gifts and Grants to \$3,000,000 from Revenue Financing System Bond Proceeds, \$3,500,000 from Gifts and Grants, and \$1,000,000 from Auxiliary Enterprise Balances
- b. Authorize expenditure of up to \$500,000 prior to design development for the construction Stage II of the project
- c. Increase the repair and renovation Stage I budget from \$3,500,000 to \$4,000,000
- d. Appropriate funds and authorize expenditure of \$4,000,000 for the repair and renovation stage with funding of \$3,000,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprise Balances, and unappropriate funds of \$3,500,000 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, 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 89, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$3,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Basketball Support Facility at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$7,500,000 with funding from Gifts and Grants.

At the February 15, 2001, U. T. Board of Regents' meeting, the project scope was divided into a repair and renovation stage and a new construction stage. Appropriations of \$3,500,000 with funding from Gifts and Grants were approved for the campus to proceed with the repair and renovation stage to allow for the modification and reconfiguration of the seating to meet the needs of the FY 2001-2002 basketball season.

U. T. Austin now requests that project funding be changed to \$3,500,000 from Gifts and Grants, \$3,000,000 from Revenue Financing System Bond Proceeds, and \$1,000,000 from Auxiliary Enterprise Balances. Further, the institution requests authorization to expend up to \$500,000 prior to design development for the construction stage of the project to fund the long-term planning and feasibility studies required to identify and prepare preliminary design of the future construction stage. Approval of this authorization will waive the provisions of Part Two, Chapter VIII, Section 1, Subsection 1.2, Subdivision 1.23 of the Regents' Rules and Regulations which limit such expenditures to 3% of the anticipated preliminary project cost. The application of the 3% limit for the new construction stage would allow expenditure of \$120,000.

New appropriations for the repair and renovation stage are requested in the total amount of \$4,000,000, with funds of \$3,000,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprise Balances. Approval of this item will unappropriate the \$3,500,000 funding from Gifts and Grants for the repair and renovation stage.

The debt is to be repaid from revenues generated from courtside seating. Annual revenues from courtside seating are projected to exceed \$600,000. Debt service for this project during the construction period is projected to be \$135,000 assuming a 4.5% short-term borrowing rate. Debt service after the construction period is projected to be \$261,554 based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage for the project is expected to be 2.32 times. The six-year financing forecast for U. T. Austin projects overall debt service coverage to be at least 1.6 times and the annual debt service to operating expense ratio not to exceed 4.6%. The financing forecast for this project is set forth on Page 90.

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 Basketball Support Facility 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, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 12th day of April, 2001

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

**U. T. Austin -
Basketball Support Facility**

Project Level: (Actual \$)	Forecast					
	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Beginning Balance	-	-	471,000	1,338,554	2,206,108	3,073,662
Additional Revenues	-	606,000	606,000	606,000	606,000	606,000
New Debt Service	-	(135,000)	(261,554)	(261,554)	(261,554)	(261,554)
Ending Fund Balance	-	471,000	1,338,554	2,206,108	3,073,662	3,941,216
Debt Service Coverage		4.49	2.32	2.32	2.32	2.32

Campus Level: (\$ in millions)	Actual			Forecast					
	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Beg. Fund Balance	110.5	141.7	146.2	164.0	170.1	189.1	193.0	211.4	211.5
Total Current Unrestricted Revenues	778.2	771.2	858.9	894.0	943.9	956.6	995.6	1,011.1	1,042.4
Total Current Unrestricted Expenditures	(682.1)	(708.2)	(765.1)	(828.2)	(863.2)	(888.6)	(916.4)	(945.0)	(974.5)
Net Revenues	96.1	63.0	93.8	65.7	80.7	68.0	79.2	66.1	68.0
Debt Service	(24.7)	(27.9)	(31.0)	(40.3)	(41.5)	(38.9)	(40.8)	(38.8)	(41.8)
Other Mandatory Transfers	(0.9)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Mandatory Transfers	(25.6)	(28.4)	(31.3)	(40.7)	(41.9)	(39.3)	(41.1)	(39.2)	(42.2)
Nonmandatory Transfers	(38.7)	(29.1)	(44.1)	(20.6)	(21.2)	(26.2)	(21.1)	(28.2)	(28.2)
Adjustments	(0.7)	(1.0)	(0.6)	1.6	1.4	1.4	1.4	1.4	1.4
Net Inc./ (Dec.) for Year	31.1	4.5	17.8	6.1	19.0	3.9	18.4	0.1	(1.0)
End. Fund Balance	141.7	146.2	164.0	170.1	189.1	193.0	211.4	211.5	210.5
Debt Service Coverage	3.7	2.2	3.0	1.6	1.9	1.7	1.9	1.7	1.6
Debt Service to Operating Expenses	3.5%	3.8%	3.9%	4.6%	4.6%	4.2%	4.3%	3.9%	4.1%

U.T. System (\$ in millions)	Actual			Forecast					
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Available Revenues	4,208.7	4,363.1	4,966.6	5,128.8	5,377.7	5,535.7	5,837.2	6,039.8	6,286.2
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,773.2)	(4,943.8)	(5,107.8)	(5,355.6)	(5,547.3)	(5,769.8)
Net Available for Debt Serv.	297.2	196.6	404.5	355.6	433.9	427.9	481.6	492.5	516.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Debt Service	(84.8)	(95.5)	(116.6)	(137.7)	(156.7)	(155.9)	(171.8)	(166.0)	(168.8)
Debt Service Coverage	3.5	2.0	3.5	2.6	2.8	2.7	2.8	3.0	3.0
Debt Service to Operating Exp.	2.2%	2.3%	2.5%	2.8%	3.1%	3.0%	3.1%	2.9%	2.8%

3. U. T. Austin - Parking Garage 4B and Office Building (Project No. 102-985): Request for Approval to Revise Total Project Cost; Approval to Redesignate Project; and Appropriation of Additional Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Revise the total project cost for the Parking Garage 4B and Office Building at U. T. Austin from \$23,760,000 to \$29,260,000
- b. Redesignate the project as Parking Garage 6 and North Office Building A
- c. Appropriate additional funds and authorize expenditure of \$5,500,000 from Designated Tuition.

BACKGROUND INFORMATION

The Parking Garage 4B and Office Building project at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$23,760,000 with funding of \$12,350,000 from Designated Tuition and \$11,410,000 from Revenue Financing System Bond Proceeds.

The increase in the total project cost of \$5,500,000 to come from Designated Tuition is necessary to fund the finish out and furnishings of the shell floors in the office building. The five-level office building will be used to provide classroom support for the academic programs located on the northern part of the campus and office space for the Office of Human Resources and other administrative offices.

U. T. Austin has requested that the project be redesignated as Parking Garage 6 and North Office Building A to better identify the parking garage and office building. Construction of the parking garage portion of the project was completed and the parking garage was occupied in August 2000. The office building portion of the project is currently under construction with occupancy anticipated by Summer 2002.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to revise the total project cost from \$23,760,000 to \$29,260,000, with additional funding of \$5,500,000 from Designated Tuition, and redesignate the project as the Parking Garage 6 and North Office Building A at U. T. Austin.

4. U. T. Austin - Ransom Center Renovation (Project No. 102-987): Request for Approval to Revise Total Project Cost and Appropriation of Additional Funds

RECOMMENDATION

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

- a. Revise the total project cost for the Ransom Center Renovation at U. T. Austin from \$6,000,000 to \$13,676,000
- b. Appropriate additional funds of \$6,000,000 from Designated Tuition and \$1,676,000 from Unexpended Plant Funds.

BACKGROUND INFORMATION

The Ransom Center Renovation at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$6,000,000 with funding of \$1,400,000 from Designated Tuition and \$4,600,000 from Gifts and Grants.

U. T. Austin has requested that the total project cost be increased from \$6,000,000 to \$13,676,000 to cover additional fire and life safety requirements that were identified as the scope and design of the project developed. The requested increase of \$7,676,000 is to be funded with \$6,000,000 from Designated Tuition and \$1,676,000 from Unexpended Plant Funds. The campus plans to reimburse a portion of the Designated Tuition funds from future Gifts and Grants.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to increase the total project cost for the Ransom Center Renovation project at U. T. Austin from \$6,000,000 to \$13,676,000, with funding of \$7,400,000 from Designated Tuition, \$4,600,000 from Gifts and Grants, and \$1,676,000 from Unexpended Plant Funds.

5. U. T. Austin - Sarah M. and Charles E. Seay Building (Project No. 102-922): Request for Approval to Revise Total Project Cost and Appropriation of Additional Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Revise the total project cost for the Sarah M. and Charles E. Seay Building at U. T. Austin from \$48,370,000 to \$51,170,000
- b. Appropriate additional funds and authorize expenditure of \$2,800,000 from Designated Tuition.

BACKGROUND INFORMATION

The Sarah M. and Charles E. Seay Building project at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$48,370,000 with funding of \$12,500,000 from Tuition Revenue Bond Proceeds, \$191,792 from Interest on Tuition Revenue Bond Proceeds, \$22,478,208 from Designated Tuition, \$10,200,000 from Gifts and Grants, and \$3,000,000 from Unexpended Plant Funds.

The project consists of construction 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 with occupancy anticipated by Summer 2002.

U. T. Austin has requested that the total project cost be increased from \$48,370,000 to \$51,170,000 to fund the furniture, furnishings, and accessories for the project. The requested increase of \$2,800,000 is to be funded from Designated Tuition.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to increase the total project for the Sarah M. and Charles E. Seay Building at U. T. Austin from \$48,370,000 to \$51,170,000, with funding of \$12,500,000 from Tuition Revenue Bond Proceeds, \$191,792 from Interest on Tuition Revenue Bond Proceeds, \$25,278,208 from Designated Tuition, \$10,200,000 from Gifts and Grants, and \$3,000,000 from Unexpended Plant Funds.

6. U. T. Dallas - Callier Center Satellite Facility (Project No. 302-018): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Approve design development plans for the Callier Center Satellite Facility project at U. T. Dallas
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$4,500,000
- d. Appropriate funds and authorize expenditure of \$2,900,000 from Gifts and Grants and \$1,600,000 from Permanent University Fund Bond Proceeds.

BACKGROUND INFORMATION

The Callier Center Satellite Facility project at U. T. Dallas is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$4,500,000, with funding of \$2,900,000 from Gifts and Grants and \$1,600,000 from Permanent University Fund Bond Proceeds.

The project consists of the construction of approximately 23,000 gross square feet to house academic, research, and clinical activities for the School of Human Development as an extension of the Callier Center.

The Callier Center main facility cannot expand at its current location adjacent to U. T. Southwestern Medical Center - Dallas. The Callier Center Satellite Facility will ease patient load at the Callier Center and provide needed services to North Dallas patients.

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

7. U. T. Southwestern Medical Center - Dallas - North Campus Phase 3 Expansion - Radiation Oncology Center (Project No. 303-990) (Addition to The Seay Biomedical Building): Request for Approval to Revise Total Project Cost and Appropriate Additional Funds and Authorize Expenditure

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. Revise the total project cost for the North Campus Phase 3 Expansion - Radiation Oncology Center project at U. T. Southwestern Medical Center - Dallas from \$10,000,000 to \$15,000,000
- b. Appropriate additional funds and authorize expenditure of \$5,000,000 from Medical Service, Research and Development Plan/Professional Fees (MSRDP) balances.

BACKGROUND INFORMATION

The North Campus Phase 3 Expansion - Radiation Oncology Center project at U. T. Southwestern Medical Center - Dallas proposes an addition to The Seay Biomedical Building and is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$10,000,000, with funding from Medical Service, Research and Development Plan/Professional Fees (MSRDP) balances.

U. T. Southwestern Medical Center - Dallas has requested that the total project cost be increased from \$10,000,000 to \$15,000,000 to fund indirect costs and the cost of inflation on bids received in February 1999. The project was put on hold two years ago when bids exceeded the estimate and programming studies included the potential purchase of St. Paul Medical Center. After further consideration, the project is now ready to move forward to construction. The facility is needed for patient care and for education of clinical residents and medical students.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to increase the total project cost for the North Campus Phase 3 Expansion - Radiation Oncology Center at U. T. Southwestern Medical Center - Dallas from \$10,000,000 to \$15,000,000, with the additional funding of \$5,000,000 from MSRDP balances.

8. U. T. Southwestern Medical Center - Dallas - North Campus Phase 4 (Project No. 303-024): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Approve design development plans for the North Campus Phase 4 project at U. T. Southwestern Medical Center - Dallas
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$240,000,000
- d. Appropriate funds and authorize expenditure of \$100,000,000 from Revenue Financing System Bond Proceeds or Tuition Revenue Bond Proceeds, \$80,000,000 from Permanent University Fund Bond Proceeds, and \$60,000,000 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, 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 101, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$100,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The North Campus Phase 4 project at U. T. Southwestern Medical Center - Dallas is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$240,000,000 with funding of \$100,000,000 from Revenue Financing System Bond Proceeds, \$80,000,000 from Permanent University Fund Bond Proceeds, and \$60,000,000 from Gifts and Grants.

This project is the fourth phase of the six-phase North Campus Master Plan. The project will include construction of 760,232 gross square feet (GSF) of new facilities, including a 16-story 492,032 GSF research tower with underground parking and a

268,200 interstitial research support and parking structure with a landscaped plaza. This project also includes expansion of the Thermal Energy Plant and site and utilities infrastructure.

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

U. T. Southwestern Medical Center - Dallas has requested approval from the 77th Session of the Texas Legislature of \$40,000,000 of Tuition Revenue Bond Proceeds to fund a portion of this project. If approved, funding from Revenue Financing System Bond Proceeds will be reduced from \$100,000,000 to \$60,000,000. The Texas Higher Education Coordinating Board will be notified of the funding source change if the Tuition Revenue Bond Proceeds for this project are approved by the Legislature.

The Revenue Financing System Bonds are to be repaid from indirect cost recovery revenues associated with research activities at U. T. Southwestern Medical Center - Dallas.

Revenue Financing System commercial paper in the amount of \$100,000,000 will be issued after the \$80,000,000 of Permanent University Fund Bond Proceeds are expended for construction expenses. Approximately \$54,000,000 of commercial paper will be issued during FY 2003 and the remaining \$46,000,000 in FY 2004. Annual debt service is projected to be approximately \$900,000 in FY 2003 and \$4,281,000 in FY 2004, assuming a 4.5% short-term borrowing rate. Debt service after the construction period is projected to be \$8,718,000 from FY 2006 forward, based on a 6% long-term interest rate and a 20-year amortization period. Debt service coverage at the research activity level is projected to be at least 1.28 times based on 25% occupancy rates in FY 2005 and 50% occupancy rates in FY 2006. Should \$40,000,000 in Tuition Revenue Bonds for the North Campus Phase 4 project be approved during the current legislative session, debt service coverage ratios will be higher than currently reflected. The six-year financing forecast for U. T. Southwestern Medical Center - Dallas projects overall debt service coverage to be at least 2.4 times and the annual debt service to operating expense ratio not to exceed 5.1%. The financing forecast for this project is set forth on Page 102.

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 North Campus Phase 4 project at U. T. Southwestern Medical Center - 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, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 11th day of April, 2001

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

**U. T. Southwestern Medical Center - Dallas -
North Campus Phase 4**

Research Activity Level: (Actual \$)	Forecast						
	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Beginning Balance		1,301,858	2,446,698	5,317,707	9,203,408	11,826,683	15,689,853
Indirect Cost Recoveries	38,197,374	41,361,115	44,608,094	48,117,593	51,911,557	56,013,840	60,450,373
Operating Expenses	(26,031,362)	(28,174,320)	(29,470,339)	(30,825,975)	(32,243,970)	(34,340,540)	(37,607,126)
Net Revenues	12,166,012	13,186,795	15,137,755	17,291,618	19,667,587	21,673,300	22,843,247
New Debt Service	0	0	0	(899,697)	(4,281,441)	(4,766,250)	(8,718,456)
Existing Debt Service	(8,103,827)	(9,058,280)	(9,059,296)	(9,058,211)	(9,056,262)	(9,059,275)	(9,058,888)
Nonmandatory Transfers	(2,760,327)	(2,993,675)	(3,207,450)	(3,448,009)	(3,706,609)	(3,984,605)	(4,283,451)
Net Revenues after Debt Service	1,301,858	1,144,840	2,871,009	3,885,701	2,623,275	3,863,170	782,452
Ending Fund Balance	1,301,858	2,446,698	5,317,707	9,203,408	11,826,683	15,689,853	16,472,305
Debt Service Coverage	1.50	1.46	1.67	1.74	1.47	1.57	1.28
						25%	50%

occupancy of new building

Campus Level: (\$ In millions)	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Beg. Fund Balance	155.5	197.2	210.8	225.5	215.8	231.5	243.8	268.7	291.5
Total Current Unrestricted Revenues	379.3	383.7	437.5	453.7	487.5	501.7	527.4	543.7	571.6
Total Current Unrestricted Expenditures	(325.4)	(356.0)	(395.3)	(415.6)	(434.3)	(450.6)	(467.6)	(485.2)	(503.5)
Net Revenues	53.9	27.7	42.2	38.2	53.2	51.1	59.8	58.4	68.1
Debt Service	(11.8)	(9.0)	(13.3)	(15.5)	(17.6)	(19.1)	(23.1)	(23.7)	(27.2)
Other Mandatory Transfers	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.9)	(0.1)	(0.1)	(0.1)
Total Mandatory Transfers	(11.8)	(9.1)	(13.3)	(15.6)	(17.7)	(20.0)	(23.2)	(23.8)	(27.3)
Nonmandatory Transfers	0.2	(4.1)	(13.0)	(32.3)	(19.7)	(18.7)	(11.8)	(11.8)	(11.8)
Adjustments	(0.7)	(1.0)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net Inc./(Dec.) for Year	41.6	13.6	14.8	(9.7)	15.7	12.3	24.8	22.8	29.1
End. Fund Balance	197.2	210.8	225.5	215.8	231.5	243.8	268.7	291.5	320.6
Debt Service Coverage	4.6	3.1	3.2	2.4	3.0	2.6	2.6	2.5	2.5
Debt Service to Operating Expenses	3.5%	2.5%	3.2%	3.6%	3.9%	4.1%	4.7%	4.7%	5.1%

U.T. System (\$ In millions)	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Available Revenues	4,208.7	4,363.1	4,966.6	5,128.8	5,377.7	5,535.7	5,837.2	6,039.8	6,286.2
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,773.2)	(4,943.8)	(5,107.8)	(5,355.6)	(5,547.3)	(5,769.8)
Net Available for Debt Service	297.2	196.6	404.5	355.6	433.9	427.9	481.6	492.5	516.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Debt Service	(84.8)	(95.5)	(116.6)	(137.7)	(156.7)	(155.9)	(171.8)	(166.0)	(168.8)
Debt Service Coverage	3.5	2.0	3.5	2.6	2.8	2.7	2.8	3.0	3.0
Debt Service to Operating Expenses	2.2%	2.3%	2.5%	2.8%	3.1%	3.0%	3.1%	2.9%	2.8%

9. U. T. Health Science Center - Houston - Nursing and Biomedical Sciences Building (Project No. 701-967): Request for Approval to Redesignate 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 Willerson that the U. T. Board of Regents redesignate the Nursing and Biomedical Sciences Building project at U. T. Health Science Center - Houston as School of Nursing and Student Community Center.

BACKGROUND INFORMATION

The Nursing and Biomedical Sciences Building project at U. T. Health Science Center - Houston is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$63,700,000 with funding of \$32,500,000 from Revenue Financing System Bond Proceeds, \$17,500,000 from Tuition Revenue Bond Proceeds, \$10,000,000 from Gifts and Grants, and \$3,700,000 from Unexpended Plant Funds.

U. T. Health Science Center - Houston has requested that the project be redesignated as the School of Nursing and Student Community Center to better describe the use of the building and emphasize the fact that student fees are paying for approximately one-half of the cost of the building.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to redesignate the Nursing and Biomedical Sciences Building project at U. T. Health Science Center - Houston as the School of Nursing and Student Community Center.

10. U. T. M. D. Anderson Cancer Center - Ambulatory Clinical Building (Project No. 703-039): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Approve design development plans for the Ambulatory Clinical Building project at U. T. M. D. Anderson Cancer Center
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$299,000,000
- d. Appropriate funds and authorize expenditure of \$240,000,000 from Revenue Financing System Bond Proceeds and \$59,000,000 from Hospital Revenues.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 107, the U. T. Board of Regents resolves that:

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

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. M. D. Anderson Cancer Center, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$240,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Ambulatory Clinical Building at U. T. M. D. Anderson Cancer Center is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$299,000,000, with funding of \$240,000,000 from Revenue Financing System Bond Proceeds and \$59,000,000 from Hospital Revenues.

This project includes the construction of a new facility of approximately 600,000 gross square feet. The project will include centers and clinics, outpatient diagnostic treatment/surgery space, imaging services, staff offices, administrative and support services, and a parking garage. The institution has identified upcoming projects for inclusion in the FY 2002-2007 Capital Improvement Program that will expand the facility and finish out much of the shell space. The design, as presented, accommodates these future additions.

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

Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standard for New State Buildings. This evaluation determined that alternative energy devices for the project are not economically feasible.

The debt is to be repaid from U. T. M. D. Anderson Cancer Center operating revenues. Debt service for this project during the construction period is projected to be \$6,750,000 in FY 2002 and \$10,800,000 in FY 2003 assuming a 4.5% short-term borrowing rate. Debt service after the construction period is projected to be \$20,924,294 based on a 6% long-term borrowing rate with a 20-year amortization period. The six-year financing forecast for U. T. M. D. Anderson Cancer Center projects overall debt service coverage to be at least 5.8 times and the annual debt service to operating expense ratio not to exceed 2.9%. The financing forecast for this project is set forth on Page 108.

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 Ambulatory Clinical Building project at U. T. M. D. Anderson Cancer Center, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 11th day of April, 2001

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

U. T. M. D. Anderson Cancer Center-Ambulatory Clinical Building

Campus Level: (\$ in millions)	Actual			Forecast					
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Beginning Fund Balance	424.9	445.0	505.0	403.6	348.9	342.7	347.2	418.9	390.2
Total Current Unrestricted Revenues	763.6	832.3	998.6	1,104.9	1,203.6	1,293.9	1,469.8	1,593.0	1,730.3
Total Current Unrestricted Expenditures	(675.4)	(796.0)	(907.2)	(974.1)	(1,039.9)	(1,115.4)	(1,258.3)	(1,348.4)	(1,449.3)
Net Revenues	88.3	36.3	91.4	130.8	163.7	178.5	211.5	244.6	281.0
Debt Service	(6.15)	(6.9)	(8.1)	(11.9)	(21.0)	(27.0)	(36.6)	(35.8)	(35.2)
Other Mandatory Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mandatory Transfers	(6.15)	(6.9)	(8.1)	(11.9)	(21.0)	(27.0)	(36.6)	(35.8)	(35.2)
Nonmandatory Transfers	(17.7)	(50.0)	(187.0)	(173.6)	(148.9)	(147.0)	(103.2)	(237.5)	(200.0)
Adjustments	(44.4)	80.6	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Net Increase/(Decrease) for Year	20.1	60.1	(101.4)	(54.70)	(6.21)	4.50	71.71	(28.70)	45.80
Ending Fund Balance	445.0	505.0	403.6	348.9	342.7	347.2	418.9	390.2	436.0
Debt Service Coverage	14.3	5.3	11.3	11.0	7.8	6.6	5.8	6.8	8.0
Debt Service to Operating Expenses	0.9%	0.9%	0.9%	1.2%	2.0%	2.4%	2.9%	2.7%	2.4%

U.T. System (\$ in millions)	Actual			Forecast					
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Available Revenues	4,208.7	4,363.1	4,966.6	5,128.8	5,377.7	5,535.7	5,837.2	6,039.8	6,286.2
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,773.2)	(4,943.8)	(5,107.8)	(5,355.6)	(5,547.3)	(5,769.8)
Net Available for Debt Service	297.2	196.6	404.5	355.6	433.9	427.9	481.6	492.5	516.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Debt Service	(84.8)	(95.5)	(116.6)	(137.7)	(156.7)	(155.9)	(171.8)	(166.0)	(168.8)
Debt Service Coverage	3.5	2.0	3.5	2.6	2.8	2.7	2.8	3.0	3.0
Debt Service to Operating Expenses	2.2%	2.3%	2.5%	2.8%	3.1%	3.0%	3.1%	2.9%	2.8%

Other Matters

K. RECONVENE AS COMMITTEE OF THE WHOLE

L. OTHER MATTERS

1. Report of Board for Lease of University Lands

REPORT

The Board for Lease of University Lands met and held an oil and gas lease sale on November 8, 2000, in the Board of Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas. Tracts totaling 38,667.671 acres of Permanent University Fund lands will be offered for lease in the upcoming Regular Oil and Gas Lease Sale No. 99 to be held on May 16, 2001, at the Center for Energy and Economic Diversification in Midland, Texas.

2. U. T. System: Activities of U. T. System Institutions Relating to the Study, Preservation, and Appreciation of the History of the State of Texas

REPORT

Dr. Edwin R. Sharpe, Executive Vice Chancellor for Academic Affairs, will provide an overview of activities of U. T. System institutions that relate to the study, preservation, and appreciation of the history of the State of Texas, with a particular focus on materials on loan to The Bob Bullock State History Museum. Dr. Don E. Carleton, Director of the Center for American History at U. T. Austin, will comment on some of the special U. T. Austin exhibits and programs that advance and celebrate the cultural history of Texas.

3. U. T. Board of Regents: Presentation of Certificate of Appreciation

M. SCHEDULED EVENTS

1. Board of Regents' Meetings - 2001

<u>Dates</u>	<u>Locations/Hosts</u>
August 8-9, 2001	U. T. Arlington
November 7-8, 2001	U. T. Tyler

2. Official Commencements - 2001

May 5	U. T. Tyler
May 12	U. T. Arlington
May 12	U. T. Brownsville
	U. T. El Paso
	U. T. Pan American
	U. T. Permian Basin
	U. T. San Antonio
May 19	U. T. Austin, U. T. Dallas
May 26	U. T. Medical Branch - Galveston
	U. T. Health Science Center - San Antonio
June 2	U. T. Southwestern Medical Center - Dallas
June 3	U. T. Health Science Center - Houston

3. Other Events - 2001

November 1	U. T. M. D. Anderson Cancer Center: University Cancer Foundation Board of Visitors' Meeting
November 29	U. T. M. D. Anderson Cancer Center: Faculty Honors Convocation

N. ADJOURNMENT