

MATERIAL SUPPORTING THE AGENDA

VOLUME XLIVc

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

May 7-8, 1997
July 14, 1997
August 13-14, 1997

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

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

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

Yellow paper - emergency items distributed at the meeting.

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

Board of Regents
The University of Texas System
Special Meeting Agenda
July 14, 1997 -- 11:00 a.m.
Regents' Room, Ninth Floor, Ashbel Smith Hall
Austin, Texas

AGENDA

A. CALL TO ORDER

B. CONVENE IN OPEN SESSION (INTERIM AGENDA 97-3)

1. U. T. System: Recommended Appointment of Carrier and Approval of Monthly Rates for Long Term Disability Plan to be Effective September 1, 1997
2. U. T. System: Recommended Appointment of Carrier for a Self-Funded Prescription Drug Program to be Effective September 1, 1997
3. U. T. System: Recommended Appointment of Carrier and Approval of Monthly Rates for Vision Plan to be Effective September 1, 1997
4. U. T. System: Recommended Monthly Premiums for the Self-Funded Medical and Dental Plans and Health Maintenance Organizations to be Effective September 1, 1997
5. U. T. System: Recommendation to Approve the Appointment of a Fully-Funded Freestanding Health Maintenance Organization to Service the El Paso, Texas, Area to be Effective September 1, 1997
6. U. T. System: Recommendation to Establish a Self-Funded Dual Option Plan and Preferred Provider Organization to Service the Galveston and Houston, Texas, Area and the Appointment of an Administrative/Fiscal Agent for the Organizations to be Effective September 1, 1997

7. U. T. Austin - Track and Field/Soccer Stadium and Parking Facility (Project No. 102-863): Request for Approval to Increase Total Project Cost and Appropriation Therefor; Darrell K Royal - Texas Memorial Stadium - Renovation and Expansion of West Grandstand (Project No. 102-861), East Side Addition and Renovation (Project No. 102-862), Neuhaus-Royal Athletic Facility (Project No. 102-864), and Track and Field/Soccer Stadium and Parking Facility (Project No. 102-863): Request for Appropriation to Finance on an Interim Basis the Collection of Gift Pledges and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity
 8. U. T. Austin: Appointment of a Support Director to The Dedman Foundation, Dallas, Texas
- C. RECESS TO EXECUTIVE SESSION, TEXAS GOVERNMENT CODE, CHAPTER 551, SECTIONS 551.071 (CONSULTATION WITH ATTORNEYS) AND 551.072 (REAL ESTATE MATTERS) (INTERIM AGENDA 97-3)
1. U. T. Board of Regents: Consultation with Attorney Regarding Settlement Negotiations in Pending Litigation Related to Oil Royalties
 2. U. T. M.D. Anderson Cancer Center: Proposed Settlement of Intellectual Property Litigation
 3. U. T. Board of Regents: Recommendation to Market for Sale 3.84 Acres of Land and Improvements Located at 1606 Niles Road (Also Commonly Known as #6 Niles Road), Austin, Travis County, Texas
 4. U. T. Dallas: Request for Authorization to Sell Approximately 9.16 Acres of Land Known as Synergy Park, Tract 10, in Richardson, Collin County, Texas, and Authorization to Execute All Documents Related Thereto
- D. RECONVENE IN OPEN SESSION TO CONSIDER FORMAL ACTION ON EXECUTIVE SESSION ITEMS (ITEM C ABOVE)
- E. OTHER BUSINESS
- F. ADJOURNMENT

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
Austin, Texas

June 27, 1997

INTERIM AGENDA 97-3

TO: Members of the Board of Regents

Chairman Donald L. Evans
Vice-Chairman Tom Loeffler
Vice-Chairman Rita C. Clements
Regent Thomas O. Hicks
Regent Lowell H. Lebermann, Jr.
Regent Patrick C. Oxford
Regent A. W. "Dub" Riter, Jr.
Regent A. R. (Tony) Sanchez, Jr.
Regent Martha E. Smiley

OPEN SESSION

1. U. T. System: Recommended Appointment of Carrier and Approval of Monthly Rates for Long Term Disability Plan to be Effective September 1, 1997.--

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 Continental Casualty Company, Chicago, Illinois, a fully owned subsidiary of CNA, Dallas, Texas, as the long term disability (LTD) provider for employees of the U. T. System to be effective September 1, 1997.

It is further recommended that the U. T. Board of Regents approve the rate of .41% per \$100 of covered monthly earnings for the proposed LTD insurance plan. This premium rate includes .08% per \$100 of covered monthly earnings to be deposited in a stabilization reserve fund. Benefits for the proposed LTD plan are as follows:

LTD Insurance	Minimum Benefit	Maximum Benefit
Employee - 60% of basic monthly wage ¹ less other income benefits ² after satisfying the 90-day elimination period.	Tier I Minimum Benefit - \$100 month while disabled and receiving sick pay. Tier II Minimum Benefit - Greater of \$100 or 10% of the monthly benefit before deductions for other income benefits.	\$12,025 per month
Disability Plus - 10% of basic monthly wage.	No minimum benefit and no offset due to other income benefits.	An additional \$5,000
<p>¹ For faculty members with 12-month contracts, basic monthly wage means 1/12 of annual contract salary in effect at the beginning of the plan year. For faculty members with 9-month contracts, basic monthly wage means 1/9 of the 9-month contract amount at the beginning of the plan year. For all other employees, it means the monthly rate of earnings in effect at the beginning of the plan year. Basic monthly wage does not include commissions, bonuses, overtime pay, or other extra compensation.</p>		
<p>² Deductible sources of income include Workers' Compensation, Social Security Benefits, Retirement Benefits, and other group LTD benefits.</p>		

BACKGROUND INFORMATION

The U. T. System Administration developed a Request for Proposal (RFP) for a long term disability (LTD) insurance plan that was distributed to all qualified interested organizations on March 28, 1997. Proposals were accepted from organizations through April 28, 1997. After extensive review of the eight responses to the RFP, the Employee Group Insurance Office recommended that the contract be awarded to Continental Casualty Company, Chicago, Illinois. Implementation of the LTD plan will be coordinated with the parent company, CNA, Dallas, Texas. Informational materials distributed to employees will reference the parent company, CNA, Dallas, Texas.

The proposed rate is significantly lower than the current rate being offered to employees for the FY 1996-97 plan year. In addition, the previous LTD plan required that an employee exhaust all vacation, sick leave, and sick leave pool time before LTD benefits could be paid. The proposed CNA plan allows for a minimum benefit to be paid after a 90-day elimination period. The minimum benefit is payable while the

member is exhausting his/her sick leave time and there is no provision that vacation time must be used.

2. U. T. System: Recommended Appointment of Carrier for a Self-Funded Prescription Drug Program to be Effective September 1, 1997.--

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 PCS Health Systems, Inc., Scottsdale, Arizona, as the carrier for a self-funded outpatient prescription drug program for employees and retirees of the U. T. System to be effective September 1, 1997.

BACKGROUND INFORMATION

The U. T. System Administration developed a Request for Proposal (RFP) for an outpatient prescription drug program that was distributed to all qualified interested organizations on March 14, 1997. Proposals were accepted from organizations through April 16, 1997. After extensive review of the ten responses to the RFP, the Employee Group Insurance Office recommended to the Executive Vice Chancellor for Business Affairs that the U. T. System contract be awarded to PCS Health Systems, Inc., Scottsdale, Arizona, for the outpatient prescription drug program, as its customer service, low cost, technological advances and ability to customize services to meet U. T. System's needs exceeded the other proposals.

3. U. T. System: Recommended Appointment of Carrier and Approval of Monthly Rates for Vision Plan to be Effective September 1, 1997.--

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 Superior Vision Plan,

Laguna Hills, California, as the vision plan provider for employees and retirees of the U. T. System to be effective September 1, 1997.

It is further recommended that the U. T. Board of Regents approve rates for the vision plan administered by Superior Vision Plan, Laguna Hills, California, as set forth below to be effective September 1, 1997:

Superior Vision Plan Monthly Premium Rates		
Coverage Level	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates
Subscriber Only	\$ 6.58	\$ 6.61
Subscriber and Spouse	\$10.23	\$10.26
Subscriber and Children	\$10.46	\$10.49
Subscriber and Family	\$16.87	\$16.91

BACKGROUND INFORMATION

The U. T. System Administration developed a Request for Proposal (RFP) for a vision insurance plan that was distributed to all qualified interested organizations on March 12, 1997. Proposals were accepted from organizations through April 11, 1997. After extensive review of the eight responses to the RFP, the Employee Group Insurance Office recommended to the Executive Vice Chancellor for Business Affairs that the contract be awarded to Superior Vision Plan as a result of their network inclusion of ophthalmologists and slightly lower rates available to members.

4. U. T. System: Recommended Monthly Premiums for the Self-Funded Medical and Dental Plans and Health Maintenance Organizations to be Effective September 1, 1997.--

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 for the U. T. System self-funded medical and dental plans and health maintenance organizations to be effective September 1, 1997 as follows:

INTERIM AGENDA 97-3
SUBSTITUTE AGENDA ITEM

JULY 14, 1997

OPEN SESSION

4. U. T. System: Recommended Monthly Premiums for the Self-Funded Medical and Dental Plans and Health Maintenance Organizations to be Effective September 1, 1997.--

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 health maintenance organizations to be effective September 1, 1997.

This substitute agenda item reflects changes in the first two tables set forth on Page 4b to create different premium rates for employees who have Subscriber Only coverage. This change lessens the premium increases for employees who have coverage for dependents while maintaining the availability of Subscriber Only coverage at no cost to an employee.

U. T. SYSTEM SELF-FUNDED MEDICAL PLAN PREMIUMS FOR FY 1997-98						
	POINT-OF-SERVICE PLAN WHERE OFFERED		PLAN A/\$200 DEDUCTIBLE WHERE OFFERED		PLAN B/\$500 DEDUCTIBLE WHERE OFFERED	
	FY 1997- 98 Proposed Rates	FY 1996- 97 Current Rates	FY 1997- 98 Proposed Rates	FY 1996- 97 Current Rates	FY 1997- 98 Proposed Rates	FY 1996- 97 Current Rates
Subscriber Only (Automatic Package)	\$168.72	\$165.35	\$168.72	\$165.35	Not Avail- able	Not Avail- able
Subscriber Only (Non- Automatic Package)	\$171.69	Not Avail- able	\$171.69	Not Avail- able	\$139.80	\$133.14
Subscriber and Spouse	\$336.02	\$324.66	\$336.02	\$324.66	\$285.04	\$276.74
Subscriber and Child(ren)	\$313.57	\$302.97	\$313.57	\$302.97	\$238.48	\$231.53
Subscriber and Family	\$473.09	\$457.09	\$473.09	\$457.09	\$343.46	\$333.46

U. T. SYSTEM SELF-FUNDED MEDICAL PLAN PREMIUMS FOR FY 1997-98*		
	NYLCARE GALVESTON/HOUSTON DUAL OPTION FY 1997-98 Proposed Rates	NYLCARE GALVESTON/HOUSTON PPO OPTION FY 1997-98 Proposed Rates
Subscriber Only-Medicare	Not available with the Dual Option plan.	\$179.53
Subscriber Only- NonMedicare	Not available with the Dual Option plan.	\$204.03
Subscriber Only (Automatic Package)	\$179.59	NOT AVAILABLE
Subscriber Only (Non-Automatic Package)	\$182.56	NOT AVAILABLE
Subscriber and Spouse	\$355.39	\$384.69
Subscriber and Child(ren)	\$336.78	\$373.78
Subscriber and Family	\$506.77	\$571.78

*The NYLCare Houston dual option plan and the Houston PPO option were not available in FY 1996-97.

U. T. SYSTEM SELF-FUNDED HMO MONTHLY PREMIUMS FOR FY 1997-98						
	PCA AUSTIN HMO		PCA SAN ANTONIO HMO		U. T. SOUTHWESTERN HEALTH PLAN DALLAS HMO	
	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates
Subscriber Only	\$165.35	\$162.11	\$167.68	\$164.39	\$164.55	\$161.32
Subscriber and Spouse	\$317.88	\$307.13	\$318.74	\$318.74	\$310.04	\$308.04
Subscriber and Child(ren)	\$287.47	\$277.75	\$295.90	\$295.90	\$286.36	\$286.36
Subscriber and Family	\$420.46	\$406.24	\$448.18	\$448.18	\$428.80	\$428.80

U. T. SYSTEM SELF-FUNDED HMO AND EPO* MONTHLY PREMIUMS FOR FY 1997-98				
	NYLCare Austin HMO		NYLCare Valley EPO	
	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates
Subscriber Only	\$167.40	\$164.12	\$166.57	\$163.30
Subscriber and Spouse	\$310.27	\$310.27	\$313.37	\$310.27
Subscriber and Child(ren)	\$283.94	\$283.94	\$282.82	\$280.02
Subscriber and Family	\$415.90	\$415.90	\$419.81	\$415.65

* EPO is an Exclusive Provider Organization.

FREESTANDING INSURED HMO MONTHLY PREMIUMS FOR FY 1997-98						
	PRUDENTIAL AUSTIN		PRUDENTIAL HOUSTON		KAISER	
	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates
Subscriber Only	\$164.85	\$159.95	\$165.35	\$163.87	\$127.52	\$125.01
Subscriber and Spouse	\$310.15	\$310.15	\$323.46	\$314.04	\$306.05	\$300.02
Subscriber and Child(ren)	\$279.90	\$279.90	\$292.65	\$284.13	\$255.04	\$250.02
Subscriber and Family	\$407.65	\$407.65	\$424.73	\$409.49	\$369.81	\$362.53

FREESTANDING INSURED HMO MONTHLY PREMIUM RATES FOR FY 1997-98*	
PRUDENTIAL HEALTHCARE EL PASO	
Coverage Level	FY 1997-98 Proposed Rates
Subscriber Only	\$142.99
Subscriber and Spouse	\$280.75
Subscriber and Child(ren)	\$261.99
Subscriber and Family	\$395.27
* Prudential HealthCare HMO was not available in FY 1996-97.	

DENTAL PLAN MONTHLY PREMIUMS FOR FY 1997-98					
	U. T. SYSTEM SELF-FUNDED DENTAL RATES		U. T. SYSTEM SELF-FUNDED DENTAL RATES PREVENT PLAN*	UNITED DENTAL (Dental HMO)	
	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates	FY 1997-98 Proposed Rates	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates
Subscriber Only	\$18.35	\$17.99	\$7.48	\$10.83	\$10.83
Subscriber and Spouse	\$33.10	\$30.65	\$12.95	\$20.16	\$20.16
Subscriber and Child(ren)	\$42.11	\$38.99	\$14.22	\$26.48	\$26.48
Subscriber and Family	\$52.52	\$48.63	\$20.12	\$31.83	\$31.83
*Prevent Plan was not available in FY 1996-97 and is only being offered in the Galveston and Houston area.					

MONTHLY SMOKER PREMIUM RATE
A rate of \$10.00 will be added to either a U. T. System self-funded medical or dental plan for employees and retirees who do not sign an affidavit stating they are nonsmokers unless the employee or retiree is covered by the automatic plan.

BACKGROUND INFORMATION

The premium rates shown for the self-funded medical and dental plans were set by the U. T. System based upon past and projected claims experience. The 75th Texas Legislature approved a 2% increase in the premium sharing for U. T. System employees and retirees which did not provide sufficient funding to offset the projected increase in medical plan expenses. Therefore, premium rates for the self-funded medical Point-of-Service Plan, Plan A, and Plan B were increased for FY 1997-98.

The premium rates for the Dual Option and Preferred Provider Organization Plans for the Galveston and Houston area are proposed at a higher cost for employees and retirees than the Point-of-Service cost because of the projected medical plan expenses for the area. The U. T. medical plan expenses have been significantly higher in the Galveston and Houston area than for the rest of the state over the last few years. Therefore, the Point-of-Service Plan will no longer be offered in the Galveston and Houston area (see Item 6 on Page 10). The Galveston and Houston area will be offered a preventive dental plan at a reduced rate from the standard dental plan in order to reduce costs to employees and retirees. This dental plan will only provide benefits for preventive and maintenance service.

The premium rates for the fully insured freestanding HMOs and United Dental Care HMO were set by each organization. Premium rates for Prudential Austin, Prudential Houston, and Kaiser will reflect an increase, while the United Dental HMO rates will not change. If employees and retirees who smoke are enrolled in a U. T. self-funded medical or dental plan, they will be assessed the \$10 per month smoker fee. The Prudential HMO in El Paso will be offered to provide a low cost alternative to the employees and retirees residing in the El Paso, Texas, area.

The sources of premium payments are state and local funds, contributed at rates set by the Legislature, and employee or retiree contributions.

U. T. SYSTEM SELF-FUNDED MEDICAL PLAN MONTHLY PREMIUMS FOR FY 1997-98						
	POINT-OF-SERVICE PLAN WHERE OFFERED		PLAN A/\$200 DEDUCTIBLE WHERE OFFERED		PLAN B/\$500 DEDUCTIBLE WHERE OFFERED	
	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates
Subscriber Only	\$168.66	\$165.35	\$168.66	\$165.35	\$139.80	\$133.14
Subscriber and Spouse	\$340.89	\$324.66	\$340.89	\$324.66	\$285.04	\$276.74
Subscriber and Child(ren)	\$318.12	\$302.97	\$318.12	\$302.97	\$238.48	\$231.53
Subscriber and Family	\$479.94	\$457.09	\$479.94	\$457.09	\$343.46	\$333.46

U. T. SYSTEM SELF-FUNDED MEDICAL PLAN MONTHLY PREMIUMS FOR FY 1997-98*		
	NYLCARE GALVESTON/HOUSTON DUAL OPTION FY 1997-98 Proposed Rates	NYLCARE GALVESTON/HOUSTON PPO OPTION FY 1997-98 Proposed Rates
Subscriber Only-Medicare	Not available with the Dual Option plan.	\$179.53
Subscriber Only-NonMedicare	Not available with the Dual Option plan.	\$204.03
Subscriber Only	\$179.53	NOT AVAILABLE
Subscriber and Spouse	\$357.21	\$384.69
Subscriber and Child(ren)	\$339.08	\$373.78
Subscriber and Family	\$510.81	\$571.78

*The NYLCare Houston dual option plan and the Houston PPO option were not available in FY 1996-97.

U. T. SYSTEM SELF-FUNDED HMO MONTHLY PREMIUMS FOR FY 1997-98						
	PCA AUSTIN HMO		PCA SAN ANTONIO HMO		U. T. SOUTHWESTERN HEALTH PLAN DALLAS HMO	
	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates
Subscriber Only	\$165.35	\$162.11	\$167.68	\$164.39	\$164.55	\$161.32
Subscriber and Spouse	\$317.88	\$307.13	\$318.74	\$318.74	\$310.04	\$308.04
Subscriber and Child(ren)	\$287.47	\$277.75	\$295.90	\$295.90	\$286.36	\$286.36
Subscriber and Family	\$420.46	\$406.24	\$448.18	\$448.18	\$428.80	\$428.80

U. T. SYSTEM SELF-FUNDED HMO AND EPO* MONTHLY PREMIUMS FOR FY 1997-98				
	NYLCare Austin HMO		NYLCare Valley EPO	
	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates
Subscriber Only	\$167.40	\$164.12	\$166.57	\$163.30
Subscriber and Spouse	\$310.27	\$310.27	\$313.37	\$310.27
Subscriber and Child(ren)	\$283.94	\$283.94	\$282.82	\$280.02
Subscriber and Family	\$415.90	\$415.90	\$419.81	\$415.65

* EPO is an Exclusive Provider Organization.

FREESTANDING INSURED HMO MONTHLY PREMIUMS FOR FY 1997-98						
	PRUDENTIAL AUSTIN		PRUDENTIAL HOUSTON		KAISER	
	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates	FY 97-98 Proposed Rates	FY 96-97 Current Rates
Subscriber Only	\$164.85	\$159.95	\$165.35	\$163.87	\$127.52	\$125.01
Subscriber and Spouse	\$310.15	\$310.15	\$323.46	\$314.04	\$306.05	\$300.02
Subscriber and Child(ren)	\$279.90	\$279.90	\$292.65	\$284.13	\$255.04	\$250.02
Subscriber and Family	\$407.65	\$407.65	\$424.73	\$409.49	\$369.81	\$362.53

FREESTANDING INSURED HMO MONTHLY PREMIUM RATES FOR FY 1997-98*	
PRUDENTIAL HEALTHCARE EL PASO	
Coverage Level	FY 1997-98 Proposed Rates
Subscriber Only	\$142.99
Subscriber and Spouse	\$280.75
Subscriber and Child(ren)	\$261.99
Subscriber and Family	\$395.27
* Prudential HealthCare HMO was not available in FY 1996-97.	

DENTAL PLAN MONTHLY PREMIUMS FOR FY 1997-98					
	U. T. SYSTEM SELF-FUNDED DENTAL RATES		U. T. SYSTEM SELF-FUNDED DENTAL RATES PREVENT PLAN*	UNITED DENTAL (Dental HMO)	
	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates	FY 1997-98 Proposed Rates	FY 1997-98 Proposed Rates	FY 1996-97 Current Rates
Subscriber Only	\$18.35	\$17.99	\$7.48	\$10.83	\$10.83
Subscriber and Spouse	\$33.10	\$30.65	\$12.95	\$20.16	\$20.16
Subscriber and Child(ren)	\$42.11	\$38.99	\$14.22	\$26.48	\$26.48
Subscriber and Family	\$52.52	\$48.63	\$20.12	\$31.83	\$31.83
*Prevent Plan was not available in FY 1996-97 and is only being offered in the Galveston and Houston area.					

MONTHLY SMOKER PREMIUM RATE
A rate of \$10.00 will be added to either a U. T. System self-funded medical or dental plan for employees and retirees who do not sign an affidavit stating they are nonsmokers unless the employee or retiree is covered by the automatic plan.

BACKGROUND INFORMATION

The premium rates shown for the self-funded medical and dental plans were set by the U. T. System based upon past and projected claims experience. The 75th Texas Legislature approved a 2% increase in the premium sharing for U. T. System employees and retirees which did not provide sufficient funding to offset the projected increase in medical plan expenses. Therefore, premium rates for the self-funded medical Point-of-Service Plan, Plan A, and Plan B were increased for FY 1997-98.

The premium rates for the Dual Option and Preferred Provider Organization Plans for the Galveston and Houston area are proposed at a higher cost for employees and retirees than the Point-of-Service cost because of the projected medical plan expenses for the area. The U. T. medical plan expenses have been significantly higher in the Galveston and Houston area than for the rest of the state over the last few years. Therefore, the Point-of-Service Plan will no longer be offered in the Galveston and Houston area (see Item 6 on Page 10). The Galveston and Houston area will be offered a preventive dental plan at a reduced rate from the standard dental plan in order to reduce costs to employees and retirees. This dental plan will only provide benefits for preventive and maintenance service.

The premium rates for the fully insured freestanding HMOs and United Dental Care HMO were set by each organization. Premium rates for Prudential Austin, Prudential Houston, and Kaiser will reflect an increase, while the United Dental HMO rates will not change. If employees and retirees who smoke are enrolled in a U. T. self-funded medical or dental plan, they will be assessed the \$10 per month smoker fee. The Prudential HMO in El Paso will be offered to provide a low cost alternative to the employees and retirees residing in the El Paso, Texas, area.

The sources of premium payments are state and local funds, contributed at rates set by the Legislature, and employee or retiree contributions.

5. U. T. System: Recommendation to Approve the Appointment of a Fully-Funded Freestanding Health Maintenance Organization to Service the El Paso, Texas, Area to be Effective September 1, 1997.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the establishment of a fully-funded free-standing health maintenance organization (HMO) to serve the employees and retirees of the U. T. System located in the El Paso, Texas, area and approve the appointment of Prudential HealthCare, El Paso, Texas, as the HMO to be effective September 1, 1997.

See related Item 4 on Page 7 for the recommended rates for the El Paso, Texas, area health maintenance organization.

BACKGROUND INFORMATION

The U. T. System Administration developed a Request for Proposal (RFP) for a self-funded health maintenance organization to service the El Paso, Texas, area that was distributed to all qualified interested organizations on March 12, 1997. Proposals were accepted from organizations through April 11, 1997. After extensive review of the three responses to the RFP, the Employee Group Insurance Office determined that adequate proposals were not received in response to the RFP. On May 23, 1997, the Employee Group Insurance Office issued an addendum to the original RFP stating that requests for alternative plan proposals would be accepted through June 3, 1997, from the organizations which submitted a proposal.

After review of the alternate plan proposals, the Employee Group Insurance Office recommended to the Executive Vice Chancellor for Business Affairs that the contract be awarded to Prudential HealthCare, El Paso, Texas, as it provided the lowest cost alternative for members.

6. U. T. System: Recommendation to Establish a Self-Funded Dual Option Plan and Preferred Provider Organization to Service the Galveston and Houston, Texas, Area and the Appointment of an Administrative/Fiscal Agent for the Organizations to be Effective September 1, 1997.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the establishment of a self-funded dual option plan and a preferred provider organization (PPO) plan to service the U. T. System employees and retirees of the Galveston and Houston, Texas, area and approve the appointments of the following administrative agents to be effective September 1, 1997:

- a. NYLCare of the Gulf Coast, Houston, Texas, for a dual option plan to serve the Galveston and Houston, Texas, area
- b. NYLCare of the Gulf Coast, Houston, Texas, for a PPO plan to serve the Galveston and Houston, Texas, area.

See Item 4 on Page 5 for the recommended rates for the Galveston and Houston, Texas, area medical insurance programs.

BACKGROUND INFORMATION

The U. T. System Administration developed a Request for Proposal (RFP) for a dual option and PPO insurance plan for the Galveston and Houston area that was distributed to all qualified interested organizations on March 19, 1997. Proposals were accepted from organizations through April 18, 1997. After extensive review of the five proposals for the dual option and seven for the PPO plan, the Employee Group Insurance Office recommended to the Executive Vice Chancellor for Business Affairs that the contracts be awarded to NYLCare of the Gulf Coast, Houston, Texas, due to the low administrative cost and extensive network available to members. See Item 4 on Page 9 (Background Information) related to the reasons for the establishment of this contract as an alternative to the U. T. System Point-of-Service Plan.

7. U. T. Austin - Track and Field/Soccer Stadium and Parking Facility (Project No. 102-863): Request for Approval to Increase Total Project Cost and Appropriation Therefor; Darrell K Royal - Texas Memorial Stadium - Renovation and Expansion of West Grandstand (Project No. 102-861), East Side Addition and Renovation (Project No. 102-862), Neuhaus-Royal Athletic Facility (Project No. 102-864), and Track and Field/Soccer Stadium and Parking Facility (Project No. 102-863): Request for Appropriation to Finance on an Interim Basis the Collection of Gift Pledges and Request for Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

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

- a. Approve an increase in the total project cost from \$22,200,000 to \$25,700,000 for the Track and Field/Soccer Stadium and Parking Facility at U. T. Austin

- b. Appropriate additional funding of \$3,500,000 from Gifts and Grants for the Track and Field/Soccer Stadium and Parking Facility
- c. Appropriate \$19,880,000 from Revenue Financing System Bond Proceeds to finance, on an interim basis, the collection of gift pledges associated with the U. T. Austin Darrell K Royal - Texas Memorial Stadium - Renovation and Expansion of West Grandstand, East Side Addition and Renovation, the Neuhaus-Royal Athletic Facility, and the Track and Field/Soccer Stadium and Parking Facility.

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 upon delivery of the Certificate of an Authorized Representative as set out on Page 15, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the projects' cost funded by gift pledges
- 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 Parity Debt for interim gift financing of Memorial Stadium projects in the amount of \$19,880,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

In February 1997, the preliminary plans for the Track and Field/Soccer Stadium and Parking Facility project at U. T. Austin were approved by the U. T. Board of Regents at an estimated total project cost of \$22,200,000. In addition to the two fundamental elements of a track and field/soccer stadium and a parking facility, the approved preliminary plans included provisions for a future Field House. Approval to increase the total project cost and add the Field House is recommended following a new evaluation by the U. T. Austin Men's Intercollegiate Athletics Department for the need to provide on-site locker rooms, coaches' offices, equipment rooms, and other support areas upon the opening of the Track and Field/Soccer Stadium. The funds needed for the construction of the Field House will be provided by \$3,500,000 of additional Gifts and Grants for a new total project cost of \$25,700,000.

The start of construction for the Track and Field/Soccer Stadium and Parking Facility project at U. T. Austin is scheduled for September 1997. To avoid delay of the project, it is being submitted to the Texas Higher Education Coordinating Board for consideration at its July 17-18, 1997, meeting. Prior to that date, action by the U. T. Board of Regents on the requested \$3,500,000 increase in the total project cost is required. Approval by the U. T. Board of Regents and the Texas Higher Education Coordinating Board will allow time for the inclusion of the Field House in the general construction contract bidding for the Track and Field/Soccer Stadium and Parking Facility.

The total project cost of \$25,700,000 for the Track and Field/Soccer Stadium and Parking Facility will be funded by \$9,700,000 from Revenue Financing System Bond Proceeds, \$3,000,000 from Auxiliary Enterprise Balances, and \$13,000,000 from Gifts and Grants.

Approval of the increase in total project cost for the Track and Field/Soccer Stadium and Parking Facility will amend the FY 1996-2001 Capital Improvement Program and the FY 1996-1997 Capital Budget.

U. T. Austin has the following projects in the FY 1996-2001 Capital Improvement Program that relate to the Darrell K Royal - Texas Memorial Stadium Renovations: (1) Texas Memorial Stadium - Renovation and Expansion of West Grandstand, (2) Texas Memorial Stadium - East Side Addition and Renovation, (3) Neuhaus-Royal Athletic Facility, and (4) Track and Field/Soccer Stadium and Parking Facility. These projects are funded with \$27,800,000 (including Field House addition) from Gifts and Grants, \$55,700,000 from

Revenue Financing System Bond Proceeds, and \$3,000,000 from Auxiliary Enterprise Balances.

As of May 31, 1997, the U. T. Austin Longhorn Legacy Campaign has identified gift pledges totaling \$20,491,600 available to fund project costs. Of this total, \$5,481,850 has been collected and \$4,554,000 is expected to be collected during the construction duration of the projects. The cash flow projections of the construction costs compared to the gift collections, reflect a maximum shortfall of approximately \$19,880,000 in November 1998. The interim financing of gifts with the Revenue Financing System short-term notes will be repaid as the gift pledges are collected. The notes to be used to finance the gift pledges will be issued on a tax-exempt and a more expensive taxable basis when necessary.

The gift financing debt is assumed to be maintained in short-term notes with a tax-exempt borrowing cost of 5.0% and a taxable borrowing cost of 6.5%. Based on the present collection schedule, during FY 1998, \$19,880,000 of gift financing debt is required, declining to \$17,714,000 in FY 1999, \$14,892,000 in FY 2000 and \$13,070,000 in FY 2001. Incremental debt service resulting from gift financing, paid by the Men's Intercollegiate Athletics Department, ranges from \$522,000 in FY 1998 to \$903,000 in FY 1999 and declines to \$654,000 in FY 2001. Project level debt service coverage ranges from 0.8 times in FY 1998 to 1.6 times in FY 2001 (see the financing forecast on Page 16). Full retirement of all notes from gifts will be dependent on the acquisition and collection of an additional \$7,308,400 in pledges as well as collection of existing pledges over an anticipated five-year period.

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 adopted by the Board on February 14, 1991, and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the U. T. Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the U. T. Board of Regents to issue "Parity Debt" pursuant to the Master Resolution to finance, on an interim basis, the collection of gift pledges associated with the U. T. Austin Darrell K Royal - Texas Memorial Stadium - Renovation and Expansion of West Grandstand, East Side Addition and Renovation, the Neuhaus-Royal Athletic Facility, and the Track and Field/Soccer Stadium and Parking Facility, and do certify that to the best of my knowledge, the U. T. Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution and is not in default of any of the terms, provisions, and conditions in said Master Resolution. First Supplemental Resolution, Second Supplemental Resolution, Third Supplemental Resolution, Fourth Supplemental Resolution, and the Fifth Supplemental Resolution as amended.

EXECUTED this 14 day of July, 1997

John A. Roan
Assistant Vice Chancellor for Finance

The University of Texas at Austin
Gift Financing of the Darrell K Royal-Texas Memorial Stadium Projects

Project Level - Men's Athletics Financial Plan (\$ in thousands)	Actual			Forecast			
	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	
Revenues	18,306	20,352	18,540	22,821	23,584	24,770	
Expenditures	(14,821)	(16,684)	(14,597)	(14,989)	(15,096)	(15,524)	
Transfers Out	(1,434)	(1,348)	(1,178)	(1,184)	(1,190)	(1,196)	
Net Revenues Before Debt Service	2,051	2,320	2,765	6,648	7,298	8,050	
Debt Service - Construction	0	(491)	(2,871)	(4,366)	(4,480)	(4,480)	
Debt Service - Gift Financing	0	0	(522)	(903)	(745)	(654)	
Net Revenues After Debt Service	2,051	1,829	(628)	1,379	2,073	2,916	
Debt Service Coverage	NA	4.7	0.8	1.3	1.4	1.6	

Campus Level: U.T. Austin (\$ in millions)	Actual			Forecast				
	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Beg. Fund Balances	94.2	119.1	120.5	119.5	108.0	109.1	100.7	104.1
Total Current Revenues	570.3	564.5	596.1	628.0	655.8	658.9	680.5	679.6
Total Current Expenditures	(499.5)	(516.1)	(538.9)	(584.6)	(590.3)	(598.4)	(606.3)	(614.3)
Net Revenues	70.8	48.4	57.2	43.4	65.5	60.5	74.2	65.3
Debt Service	(17.7)	(18.7)	(20.1)	(25.0)	(32.6)	(34.8)	(34.4)	(34.3)
Other Mand. Transfers	(4.7)	(3.0)	(16.9)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Total Mand. Transfers	(22.4)	(21.7)	(37.0)	(25.6)	(33.2)	(35.4)	(35.0)	(34.9)
Non-Mand. Transfers	(21.9)	(22.2)	(14.4)	(25.7)	(28.1)	(30.4)	(32.7)	(34.9)
Adjustments	(1.6)	(3.1)	(6.8)	(3.6)	(3.1)	(3.1)	(3.1)	(3.1)
Net Inc./ (Dec.) for Year	24.9	1.4	(1.0)	(11.5)	1.1	(8.4)	3.4	(7.6)
End. Fund Balances	119.1	120.5	119.5	108.0	109.1	100.7	104.1	96.5
Debt Service Coverage	4.0	2.6	2.8	1.7	2.0	1.7	2.2	1.9

U.T. System (\$ in millions)	Actual			Forecast				
	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Available Revenues	3,226.4	3,439.7	3,682.1	3,721.5	3,789.0	3,809.2	3,872.3	3,901.0
Operating Expenses	(3,033.6)	(3,239.9)	(3,353.6)	(3,513.0)	(3,562.4)	(3,586.1)	(3,624.6)	(3,661.1)
Net Avail. for Debt Serv.	192.8	199.8	328.5	208.5	226.6	223.1	247.7	239.9
Debt Service	(43.1)	(48.9)	(56.0)	(87.5)	(102.1)	(105.2)	(108.7)	(109.3)
Debt Service Coverage	4.5	4.1	5.9	2.4	2.2	2.1	2.3	2.2

INTERIM AGENDA 97-3

ADDITIONAL ITEM

JULY 14, 1997

OPEN SESSION

8. U. T. Austin: Appointment of a Support Director to The Dedman Foundation, Dallas, Texas.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and The Dedman Foundation, Dallas, Texas, that the U. T. Board of Regents designate Dr. Peter T. Flawn, President ad interim of U. T. Austin, to serve as a Support Director to The Dedman Foundation, as long as Dr. Flawn serves as President ad interim.

It is further recommended that the individual serving as President of U. T. Austin will serve in the future as a Support Director to The Dedman Foundation without need for further action by the U. T. Board of Regents.

BACKGROUND INFORMATION

Dr. Robert M. Berdahl has been serving as a Support Director and representative for U. T. Austin to The Dedman Foundation, Dallas, Texas. The Dedman Foundation is a nonprofit corporation established to operate exclusively for the benefit of 21 charities, entities, or projects, including the College of Liberal Arts at U. T. Austin, the Southwestern Medical Foundation, and the Dedman Institute for Entrepreneurship and Innovation at U. T. Dallas. Upon his resignation as President of U. T. Austin effective July 1, 1997, Dr. Berdahl vacated his position with The Dedman Foundation. It is recommended that Dr. Peter T. Flawn replace Dr. Berdahl as a Support Director effective July 1, 1997, when Dr. Flawn became President ad interim of U. T. Austin. Dr. Flawn will serve as a Support Director without compensation.

Article II, Section (3)(c) of the Bylaws of The Dedman Foundation provides that such a vacancy shall be filled by election or designation of a successor Support Director by the governing body of the organization that the Support Director represents. Therefore, to comply with the Foundation's Bylaws, it is necessary that the U. T. Board of Regents approve Dr. Flawn's appointment as a Support Director to The Dedman Foundation. This action will make further individual appointments unnecessary.

EXECUTIVE SESSION (Texas Government Code, Chapter 551,
Sections 551.071 and 551.072)

1. U. T. Board of Regents: Consultation with Attorney Regarding Settlement Negotiations in Pending Litigation Related to Oil Royalties.--

2. U. T. M.D. Anderson Cancer Center: Proposed Settlement of Intellectual Property Litigation.--

3. U. T. Board of Regents: Recommendation to Market for Sale 3.84 Acres of Land and Improvements Located at 1606 Niles Road (Also Commonly Known as #6 Niles Road), Austin, Travis County, Texas.--

4. U. T. Dallas: Request for Authorization to Sell Approximately 9.16 Acres of Land Known as Synergy Park, Tract 10, in Richardson, Collin County, Texas, and Authorization to Execute All Documents Related Thereto.--

xc: Chancellor Cunningham
Executive Vice Chancellor Duncan
Executive Vice Chancellor Mullins
Executive Vice Chancellor Burck
Vice Chancellor Farabee
Vice Chancellor Perry
Mr. John A. Roan
Dr. James A. Broaddus
Mr. Robert E. Molloy