

Meeting No. 1,174

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

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December 15, 2017

Austin, Texas

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OF
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MEETING NO. 1,174

FRIDAY, DECEMBER 15, 2017.--The members of the Board of Regents of The University of Texas System convened at 2:01 p.m. on Friday, December 15, 2017, in the Board Room, Second Floor, The University of Texas System Building, 210 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Tucker (in person)
Vice Chairman Hildebrand
Vice Chairman Foster
Regent Aliseda
Regent Beck
Regent Eltife
Regent Hicks
Regent Weaver

Absent

Regent Longoria
Regent Castro, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Tucker called the meeting to order in Open Session.

RECESS TO EXECUTIVE SESSION.--At 2:02 p.m., the Board recessed to Executive Session in the Executive Session Room, Second Floor, The University of Texas System Building, pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, and 551.074 to consider the matters listed on the Executive Session agenda.

RECONVENE THE BOARD IN OPEN SESSION.--The Board reconvened in Open Session in the Board Room at 2:49 p.m. to consider action on Executive Session Items 1a and 1b and to consider Open Session Items.

- 1a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees

At the end of the meeting, in Open Session, Chairman Tucker announced that Chancellor McRaven had decided to step down from his role as Chancellor. She thanked the Chancellor for his service to The University of Texas System and commended him for his leadership in areas of importance to the Board of Regents, including ensuring that the U. T. System has the best talent leading the institutions,

driving inclusion and healthy campus climates, and challenging us to make investments so that important national and global stakeholders are asking, "What does Texas think?" She told Chancellor McRaven that his legacy to her will be to think big and to think bold as the Board defines its strategy to advance each of the 14 institutions to the highest potential. She added that the Board asked Chancellor McRaven to stay on so his term is more consistent with the academic year, and she reported that he has agreed to stay through May 2018.

Chancellor McRaven then reported that this has been one of the most difficult decisions of his life. He said it has been an incredible honor serving as Chancellor and stepping down from such a remarkable job, working with such wonderful people, will not be easy for him. He suggested that there will be speculation about why he is stepping down but that this was a personal decision for him. He explained that he has had some nonserious health issues over the past several months, and they have caused him to rethink his future. As he enters the fourth quarter of his life, there remain many things that he still wants to do: teach, write, do some travelling, and spend more time with his family.

The Chancellor publicly thanked the members of the Board, including former Chairman Foster and Chairman Tucker. He also thanked General Counsel to the Board Frederick for her good advice and counsel and for her unwavering support. He thanked the presidents of the 14 institutions for their dedication to the students, faculty, patients, and alumni. He thanked donors for their generosity and the Chancellor's Council and the Executive Committees for their support. He thanked the staff of the U. T. System Administration, saying they are the heart and soul of this magnificent institution, and he noted their hard work, dedication, and uncompromising standard of excellence. He also thanked the Executive Officers and Deputy Chancellor Daniel. He gave special thanks to Vice Chancellor Safady for recruiting him. He thanked Executive Director Jana Pankratz and Assistant Katherine Iannessa.

Chancellor McRaven stated that he remains completely and fully committed to securing the bid for the Los Alamos National Laboratory, saying this is one of the most important initiatives in the history of the U. T. System. He explained that the System has put together a world-class team to run the Lab and he has every confidence that U. T. can manage the Lab in a way that will make the nation and the States of Texas and New Mexico proud. He offered to Chairman Tucker his willingness to consider any position and to help in any way even after his departure, as the Board felt appropriate.

Chairman Tucker invited remarks from the Board, and members of the Board expressed sincere appreciation to Chancellor McRaven for his leadership, service, and his impact on the world, noting the job well done.

Chairman Tucker thanked Chancellor McRaven for his commitment to make sure the U. T. System puts its best effort forward in the bid to manage the Los Alamos Laboratory, and she noted that Chancellor McRaven might want to extend past May 2018 to assist in that effort.

She then announced the launch of a search committee to identify, screen, and recommend successor candidates for the position of Chancellor of the U. T. System. She commented on the desired timing for the Chancellor's successor to begin in time to have at least six months to prepare for the 2019 Legislative Session. Noting the usual custom for the Chairman and Vice Chairmen to comprise the search committee, she reported that both Vice Chairman Hildebrand and Vice Chairman Foster have agreed to serve with her on the committee. In addition, because of the importance of the search, she reported that former Chairman Donald L. Evans and former Chairman James R. Huffines have agreed to join the search committee.

1b. U. T. System: Discussion and appropriate action regarding proposed continuation of temporary salary supplement for additional duties for Vice Chancellor for Strategic Initiatives

Upon motion by Vice Chairman Hildebrand, duly seconded, the Board approved the proposed continuation of a temporary salary supplement in recognition of additional duties for Vice Chancellor Huie, consistent with the parameters outlined and recommended in Executive Session.

The motion carried unanimously.

2. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

3a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

3b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

4. U. T. System: Discussion and appropriate action regarding the lease, sale, or value of approximately 300 acres of land in Houston, Harris County, Texas, generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard

This additional caption was posted with the Secretary of State to permit discussion in Executive Session. No action was taken on this item.

AGENDA ITEMS

1. U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board

The Board approved the Consent Agenda, which is set forth on Pages 7 - 11.

In approving the Consent Agenda, the Board expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective University of Texas System institution involved.

2. U. T. Permian Basin: Approval for an allocation of \$9 million over the next three years from funds generated through the U. T. System Internal Lending Program to support institutional operations

The Board approved an allocation to The University of Texas of the Permian Basin of \$9 million over the next three years from funds generated through The University of Texas System Internal Lending Program to support institutional operations, with disbursement of funds as follows: \$4.5 million for Fiscal Year 2018; \$3 million for Fiscal Year 2019; and \$1.5 million for Fiscal Year 2020.

President Woodley analyzed the operations and management of the institution and identified significant institutional challenges in most operational areas. Based on that assessment, President Woodley will implement an aggressive plan to revitalize the institution over the next three years. The plan includes several pressing strategic initiatives as follows:

- Enrollment management and student success and retention;
- Technology/business process reengineering;
- Bridge funding to transition from Academic Partnerships, LLC to a new platform for online programs; and
- Capital investments for student services.

President Woodley will initiate the plan immediately, in time for the Fall 2018 enrollment.

Executive Vice Chancellor Kelley determined that, following distribution of funds based on Board approval of this Item and Item 3 below, revenues generated through the Internal Lending Program will exceed amounts needed to maintain a sufficient interest rate buffer, to meet principal and interest due on external debt, and to provide necessary liquidity.

3. U. T. San Antonio: Approval for an allocation of \$4.75 million over the next four years from funds generated through the U. T. System Internal Lending Program to launch an online degree program

The Board approved an allocation to The University of Texas at San Antonio of \$4.75 million over the next four years from funds generated through The University of Texas System Internal Lending Program to launch an online degree program, with disbursement of funds as follows: \$895,641 for Fiscal Year 2018; \$1,216,266 for Fiscal Year 2019; \$1,316,266 for Fiscal Year 2020; and \$1,316,266 for Fiscal Year 2021.

U. T. San Antonio is committed to building innovative online programs that deliver engaging educational experiences and superior outcomes to students across Texas and beyond. These efforts require considerable amounts of talent and financial investment to grow enrollments and to build a sustainable, high-performing online operation.

The decision to launch its first fully online degree program in Fall 2017 -- a B.B.A. degree in Cyber Security -- was based in part on the commitment of the Institute for Transformational Learning (ITL) to provide high levels of staffing and funding for multiple years. The value of ITL's support was expected to average approximately \$1.78 million annually over the next four years, with additional upfront investments in technical infrastructure.

U. T. San Antonio is confident it can achieve high-quality student experiences and outcomes using a lower cost operating model more closely aligned with its current environment and capabilities. The minimum cost to replace the ITL deliverables using the institutional model is expected to average approximately \$1.18 million annually over the next four years across core functional areas, with disbursement of funds as described above.

The core functional areas include:

- Marketing (attract students, build brand);
- Enrollment Coaching (guide potential students through the enrollment process);

- Journey Coaching (help students manage learning journey to improve success);
- Help Desk (technical support, after hours support);
- Course Development (build new courses, hire staff to meet future needs);
- Course Updates (refresh content, correct issues);
- Faculty Development Reimbursement (pay faculty for time spent building new courses);
- Faculty Training (train faculty on new course designs, best practices for teaching online); and
- Learning Analytics (replace ITL's Totelic data dashboard, provide early student alerts to improve service and outcomes).

This four-year runway will allow U. T. San Antonio to continue to build an efficient online operation, strengthen the online brand, grow enrollments to a level that supports sustainable operations, and expand access to top-quality higher education to students across the State of Texas.

Executive Vice Chancellor Kelley determined that, following distribution of funds based on Board approval of this Item and Item 2 above, revenues generated through the Internal Lending Program will exceed amounts needed to maintain a sufficient interest rate buffer, to meet principal and interest due on external debt, and to provide necessary liquidity.

Assistant Secretary's Note: The launch date of U. T. San Antonio's first fully online B.B.A. degree in Cyber Security has been corrected above from 2018, as cited in the Agenda materials to 2017, to reflect the correct degree program launch date of Fall 2017.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:04 p.m.

/s/ Tina E. Montemayor
Assistant Secretary to the Board of Regents

February 2, 2018



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MEETING OF THE BOARD

1. Resolution - U. T. System Board of Regents: Adoption of resolution regarding the list of Key Management Personnel authorized to have access to classified government contracts (Managerial Group) to reflect appointment of Helen T. Mohrmann as Chief Information Security Officer and to reflect appointment of new officers of the Board

To comply with the Department of Defense National Industrial Security Program Operating Manual (NISPOM) requirements, it is recommended that the Board of Regents approve the revised resolution set forth below regarding the list of Key Management Personnel (KMP) authorized to have access to classified government contracts. The revision reflects the appointment of a new Chief Information Security Officer at The University of Texas System, effective December 12, 2016, and to reflect appointment of new officers of the Board.

A Resolution amending the Managerial Group list was last adopted by the Board of Regents on August 24, 2017.

NISPOM defines KMP as "officers, directors, partners, regents, or trustees." The Manual requires that the senior management official and the Facility Security Officer must always be designated as part of the Managerial Group and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material.

RESOLUTION

BE IT RESOLVED

- a. That those persons occupying the following positions at The University of Texas System and The University of Texas at Austin shall be known as the Managerial Group, having the authority and responsibility for the negotiation, execution, and administration of Department of Defense (DoD) or User Agency contracts, as described in DoD 5220.22-M, "National Industrial Security Program Operating Manual" (NISPOM):

William H. McRaven, Chancellor, The University of Texas System

David E. Daniel, Ph.D., Deputy Chancellor, The University of Texas System

Gregory L. Fenves, Ph.D., President, The University of Texas at Austin

Daniel T. Jaffe, Ph.D., Vice President for Research, The University of Texas at Austin

Francis J. Landry III, Facility Security Officer (FSO), The University of Texas System/Security Manager, Applied Research Labs, The University of Texas at Austin

Patrick H. Vetter, Insider Threat Program Senior Official (ITPSO),
The University of Texas System/Assistant Security Director, Applied
Research Labs, The University of Texas at Austin
James R. (Trey) Atchley III, Chief Inquiry Officer, The University of Texas
System
Helen T. Mohrmann, Chief Information Security Officer, The University of
Texas System

The Chief Executive Officer (i.e., the Chancellor) and the members of the Managerial Group have been processed, or will be processed, for a personnel security clearance for access to classified information to the level of the facility security clearance granted to this institution, as provided for in the NISPOM.

The Managerial Group is hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified information under classified contracts of the DoD or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin.

- b. That the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of U. T. System, including U. T. Austin, and do not occupy positions that would enable them to affect adversely the policies and practices of the U. T. System, including U. T. Austin, in the performance of classified contracts for the Department of Defense or User Agencies of the NISPOM awarded to the U. T. System, including U. T. Austin, and need not be processed for a personnel security clearance:

Members of the U. T. System Board of Regents:

Sara Martinez Tucker, Chairman
Jeffery D. Hildebrand, Vice Chairman
Paul L. Foster, Vice Chairman
Ernest Aliseda
David J. Beck
Kevin P. Eltife
R. Steven Hicks
Janiece Longoria
James Conrad Weaver
Jaciel Castro, Student Regent from June 1, 2017 to May 31, 2018
(nonvoting)

ACADEMIC AFFAIRS COMMITTEE

2. Contract (funds going out) - U. T. Arlington: Purchase from Illumina, Inc. (leasing through Meridian Leasing) of genomic sequencing equipment and services

Agency: Illumina, Inc. through Meridian Leasing

Funds: Not to exceed \$4,100,000

Period: 48 months beginning October 1, 2017

Description: Lease/purchase of genomic sequencing equipment and services to allow U. T. Arlington to engage in genome sequencing research. This initial purchase is intended to support the potential establishment of a genome center at U. T. Arlington. Under this agreement, U. T. Arlington will lease one DNA sequencer and secure additional required hardware, software, and maintenance services from Illumina, Inc. through Meridian Leasing for an amount not to exceed \$4,100,000. U. T. Arlington has the option to purchase the equipment, including the additional required hardware and software, for \$1 at the end of the lease term.

This contract was competitively procured.

HEALTH AFFAIRS COMMITTEE

3. Purchase - U. T. Medical Branch - Galveston: Authorization to purchase up to approximately 29.4 acres of unimproved land located on the west side of Walker Street and immediately north of the institution's League City Campus, City of League City, Galveston County, Texas, from LC Partners L.P., for future programmed campus expansion
- Description: Purchase of up to approximately 29.4 acres of unimproved land located on the west side of Walker Street and immediately north of the institution's League City Campus, City of League City, Galveston County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The institution's 65-acre League City Campus has experienced substantial growth. The property will be used for future programmed campus expansion.
- Seller: LC Partners L.P., an Illinois limited partnership
- Purchase Price: Not to exceed fair market value as determined by an independent appraisal performed by BBG, Inc.; appraisal confidential pursuant to *Texas Education Code* Section 51.951
4. Contract (funds coming in) - U. T. Health Science Center - San Antonio: To provide reference laboratory testing services to Bexar County Hospital District, dba University Health System
- Agency: Bexar County Hospital District, dba University Health System
- Funds: Approximately \$4,500,000
- Period: August 12, 2017 through August 11, 2020
- Description: U. T. Health Science Center - San Antonio will provide reference laboratory testing services to University Health System's patients at University Hospital and its ambulatory facilities.