

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

November 4-5, 2004

Austin, Texas

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/s/ Francie A. Frederick
Counsel and Secretary to the Board
January 27, 2005

MINUTES
U. T. Board of Regents
Audit, Compliance, and Management Review Committee
November 4, 2004

The members of the Audit, Compliance, and Management Review Committee of the Board of Regents of The University of Texas System convened at 4:50 p.m. on Thursday, November 4, 2004, on the 9th Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance:

Attendance

Vice-Chairman Hunt, presiding (Committee Chairman Estrada was not able to attend.)

Vice-Chairman Clements

Vice-Chairman Krier

Regent Craven

Also present were Chairman Huffines, Regent Barnhill, Regent Rowling, and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Acting Committee Chairman Hunt called the meeting to order.

1. **U. T. System: Approval of U. T. System Internal Audit Plan for Fiscal Year 2005**

<i>Committee Meeting Information</i>

<i>Not on agenda for Committee meeting</i>
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Agenda Item:

RECOMMENDATION

The Audit, Compliance, and Management Review Committee recommends that the U. T. Board of Regents approve the proposed U. T. System-wide Internal Audit Plan for Fiscal Year 2005. A summary of the auditable areas is set forth on Pages 8.1 – 8.2 of the Agenda Book. Development of the Internal Audit Plan is based on risk assessments performed at each institution. Implementation of the Plan will be coordinated with the institutional auditors.

BACKGROUND INFORMATION

Institutional Audit Plans, compiled by the internal audit departments after input and guidance from the System Audit Office and the institution's management and Internal Audit Committee, were submitted to all Internal Audit Committees and institutional presidents for review and comments.

The Chief Audit Executive provided feedback by conducting audit hearings with each institution. After the review process, each Internal Audit Committee formally approved its institution's Plan.

The Audit, Compliance, and Management Review Committee approved the Audit Plan on September 28, 2004.

Discussion at meeting:

In the absence of Committee Chairman Estrada, Vice-Chairman Hunt presided over the meeting and noted this item would be on the Committee's agenda tomorrow (November 5). He noted the original mailing of the Internal Audit Plan for FY 2005 did not include U. T. Health Science Center - Houston but the mailing last week did include that plan.

2. U. T. System: Amendment of the Audit, Compliance, and Management Review Committee Responsibilities Checklist

Committee Meeting Information

Presenter(s): Mr. Charles G. Chaffin, Chief Audit Executive and System-wide Compliance Officer

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor and the Chief Audit Executive and System-wide Compliance Officer recommend that Item 17 of the Audit, Compliance, and Management Review Committee Responsibilities Checklist be amended as set forth in congressional style on Page 9.2 of the Agenda Book. The complete Checklist is attached on Pages 9.1 - 9.3 of the Agenda Book.

BACKGROUND INFORMATION

The proposed amendment to the Audit, Compliance, and Management Review Committee Responsibilities Checklist is a recommendation of the U. T. System Sarbanes-Oxley Ad Hoc Committee and the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002 approved by the Committee on November 12, 2003.

The amendment provides guidance on the disclosure and inclusion of off-balance sheet items in the financial statements.

The Audit, Compliance, and Management Review Committee Charter specifies that the Committee's responsibilities in carrying out its oversight role will be delineated in the Checklist. The Checklist is updated annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices.

Discussion at meeting:

Mr. Chaffin said last year an action plan was approved to implement the "Spirit" of Sarbanes-Oxley and various steps of that action plan are being implemented. To address off-balance sheet items that might appear on financial statements, the Committee's checklist is proposed to be amended to include a new Item (No. 17) that requires executive management to come to the Committee on an annual basis to discuss any possible off-balance sheet types of items. Mr. Chaffin reported there are no such items to discuss at this time and if there are any discussion items when the current financial statement is completed, they will be discussed with the Committee in February 2005.

3. U. T. System: Amendment of the Regents' Rules and Regulations related to audit and non-audit services provided by external audit firms

Committee Meeting Information

Presenter(s): Mr. Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer

Status: Approved

Motion: Made by Regent Craven, duly seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Interim Vice Chancellor and General Counsel, the Chief Audit Executive and the Associate Vice Chancellor - Controller and Chief Budget Officer that the Regents' Rules and Regulations be amended to provide guidance on provision of audit and non-audit services by external audit firms. The rule is presented on Pages 10.1 - 10.4 of the Agenda Book in the new format for the Regents' Rules and Regulations to be discussed and voted on by the Board of Regents at the November 2004 meeting. (See Item 4 on Page 5 of the Agenda Book.)

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations is a further recommendation of the U. T. System Sarbanes-Oxley Ad Hoc Committee and the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002 approved by the Audit, Compliance, and Management Review Committee on November 12, 2003. The amendment would provide further guidance on the approval requirements for the engagement of an external audit firm, provisions related to conflict of interest for U. T. System and the engaged external firm, prohibited non-audit services, and review and approval requirements for non-audit services of the engaged external audit firm.

Discussion at meeting:

Mr. Wallace said the Sarbanes-Oxley plan adopted in November 2003 included adopting guidance for relationships with all external audit organizations including the retention of external auditors to express an opinion on the financial statements of the U. T. System and the institutions. The proposed Regents' Rules amendment would require preapproval for certain audit and non-audit services as defined in the rule.

4. U. T. Board of Regents: Approval of proposed appointment of a member to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)

Committee Meeting Information

Presenter(s): Vice-Chairman Hunt

Status: Approved

Motion: Made by Regent Craven, seconded by Vice-Chairman Krier, and carried with Regent Barnhill abstaining from vote

Agenda Item:

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Chairman Hunt recommended that the U. T. Board of Regents approve the appointment of Mr. John W. Barnhill, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors.

BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents approve the appointment of members of the Audit and Ethics Committee of the Board of Directors of UTIMCO. On December 19, 2003, the Board of Regents

appointed Mr. I. Craig Hester, Mr. James R. Huffines, and Mr. R. H. (Steve) Stevens, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors. Mr. Barnhill was appointed to the Board of Directors of UTIMCO on July 16, 2004.

5. U. T. Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit

Committee Meeting Information

Presenter(s): Mr. Ricky Richter, Ernst & Young

Status: Reported

Future Actions: Per Vice-Chairman Hunt, UTIMCO's external financial audit report will be posted on the UTIMCO and the Board of Regents' website.

Agenda Item:

REPORT

Mr. Ricky Richter, Ernst & Young, LLP, will report on the results of the audit of the financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Short Intermediate Term Fund.

On July 7, 2003, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP to perform a financial audit of the funds managed by The University of Texas Investment Management Company (UTIMCO) for the fiscal year ending August 31, 2003. The contract was for one year with a right to renew in one-year increments for four years. The Board renewed the auditing services contract with Ernst & Young, LLP, to perform the 2004 financial audit of the funds managed by UTIMCO on February 4, 2004. The Board is required by Section 66.08 of the Texas Education Code to have an annual audit of the financial statements of the Permanent University Fund.

Ernst & Young is completing field work for this audit as the Agenda materials are being prepared and does not have a written report or summary of findings available at this time. The findings will be discussed with the Audit, Compliance, and Management Review Committee, and the written report will be provided as soon as it is available.

Discussion at meeting:

Mr. Richter is an engagement partner for the audits of the funds and he introduced Mr. Mike Blue, Austin Office Managing Partner, Ernst & Young. Mr. Richter updated the Committee on the audits of the funds, saying the audit is complete and opinions on the funds have been issued. He explained the opinions were unqualified except for one explanatory item on the Permanent University Fund (PUF) where similar to prior years, financials excluded the land that is owned by the PUF that is not subject

to the management of UTIMCO, thus it is excluded from the balance sheet and reference is made to that in the opinion itself. Again, that is similar to prior years and there is no change.

Mr. Richter said the full financial presentation was completed in 60 days and he commended management who was helpful in completing the audit and he expressed appreciation for the assistance received.

Mr. Richter reported that although internal controls are not specifically reviewed, nothing came to their attention that would indicate a material weakness within the internal control structure of the UTIMCO management company that oversees the fund operations. He said there is nothing to report as a result of that. There were two very small audit difference items but the funds still continue to be fairly represented in their entirety.

Vice-Chairman Hunt asked if UTIMCO's external audit report will be posted on both the Board of Regents' website and the UTIMCO website within a few days and Mr. Richter responded affirmatively.

6. U. T. System: Report on the status of the Sarbanes-Oxley Initiative, including the hiring of the independent audit firm for the 2005 U. T. System Financial Statements Audit, and the Governor's Fraud Initiative

Committee Meeting Information

Presenter(s): Mr. Wallace, Dr. Kelley, and Mr. Rodney Lenfant, Deloitte

Status: Reported

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive, Mr. Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, and Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs, will update the Audit, Compliance, and Management Review Committee on the status of the initiative and the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002, including the hiring of Deloitte to provide independent financial auditing services for the audit of the U. T. System financial statements for the fiscal year ending August 31, 2005.

In addition, Mr. Chaffin and Dr. Kelley will brief the Committee on the Governor's initiative to identify and prevent fraud, waste, and abuse in state government, including higher education.

Mr. Rodney Lenfant, Ms. Julia Petty, and Ms. Michele Strain from Deloitte will then report on the firm's plans for conducting the 2005 audit, including methodology, staffing, training, and associated timelines.

BACKGROUND INFORMATION

In November 2003, the U. T. Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A Request for Qualifications (RFQ) was distributed by U. T. System on June 3, 2004. A pre-proposal conference was held on June 9, with the following five firms participating: Deloitte, Ernst & Young, KPMG, McConnell Jones Lanier & Murphy, and PricewaterhouseCoopers. Written proposals were received from Deloitte and KPMG on June 30. Oral presentations and firm interviews were held on July 13 to allow the Regents an opportunity to further evaluate the firms.

Details regarding the RFQ process and the evaluation of firms were presented at the Board of Regents' meeting held on July 16. Regent Estrada, on behalf of the Audit, Compliance, and Management Review Committee, recommended that Deloitte be selected to provide independent financial auditing services for the audit of the U. T. System financial statements for the fiscal year ending August 31, 2005. The Board approved the selection of Deloitte and granted approval for U. T. staff to negotiate and enter into an auditing contract with the selected firm. The contract will terminate on April 1, 2006. The contract will give U. T. System an option to renew for two additional one-year terms.

On July 12, 2004, Governor Rick Perry issued Executive Order RP 36 calling for state agencies to develop and implement programs to detect and eliminate fraud in government programs. The Governor's Order directs state agencies to develop anti-fraud measures and report those efforts to his office by October 1, designate a staff member to implement fraud prevention and fraud elimination activities, and identify policy and organizational changes and provide legislative recommendations to improve fraud detection and prosecution efforts. The U. T. System is currently in the process of implementing the Order.

Discussion at meeting:

Mr. Wallace referenced the action plan approved by the Board in November 2003 that included 13 action items. He said all items have been implemented to date with the exception of three items that are in some process of being implemented.

He said perhaps the most significant aspect of the Sarbanes-Oxley initiative was hiring an independent audit firm to audit the financial records of the U. T. System for the fiscal year ending August 31, 2005. On July 16, the Board gave approval to negotiate a contract with the independent audit firm of Deloitte and Touche and the contract was signed on October 13. He introduced Mr. Rodney Lenfant, the lead partner in charge of the audit, who in turn introduced Ms. Julia Petty from their Houston office as a lead engagement senior manager, and Ms. Michele Strain, a senior manager in their Austin office.

Mr. Lenfant referenced a handout that would be distributed the next day with some of this information from his report and he noted this is Deloitte's first report to the Committee.

Mr. Lenfant said the scope of work encompasses a system-wide financial statement audit on the U. T. System as a whole. He said the U. T. System has not undergone a System-wide audit although there have been audits of U. T. M. D. Anderson Cancer Center and The University of Texas Investment Management Company (UTIMCO). As a result, a fair degree of beginning balance procedures are being done for the August 31, 2004, year-end to ensure that the cut-off and completeness and the various assertions in the financial statements are appropriately addressed. That process is ongoing, and should be semi-completed in one to two weeks.

He noted some of the institutions take approximately seven weeks to fully close their books on an annual basis. This is an opportunity for improvement to shorten that process to meet a November 1 deadline next year.

He reported on a training session held with 50-60 participants from internal audit departments System-wide and noted good interaction with the institutions and good cooperation.

Mr. Lenfant said their ultimate goal is the opinion on the financial statements. He noted the opinion itself will not be the only deliverable, as Deloitte will also attempt to identify improvements both from an efficiency standpoint as well as effectiveness of internal controls. He said there will be a management letter to address those points for improvement.

Vice-Chairman Hunt complimented Committee Chairman Estrada for his encouragement to move in this direction and noted this is the first audit in the history of a 100-year plus institution. Even though the dollar amount seemed rather large, he is confident there is a large return in improvements and in the independent review of operations and auditing.

Executive Vice Chancellor Kelley said on July 12, the Governor issued Executive Order RP 36 in which he mandated all agencies do four things:

- 1. designate a contact person responsible for fraud prevention; someone at the senior level reporting to the chief executive of the agency;*
- 2. implement a fraud compliance program, that at minimum met, or included, the common components that had been developed by a working group by the Governor's Office;*
- 3. review policies, statutes, etc., to see if they might be improved to again improve or enhance fraud prevention; and*
- 4. report back to the Governor by October 1.*

Dr. Kelley reported compliance in those areas and reported on each item. He is the designated contact for the U. T. System and contacts have been identified for each campus. Fraud assessments and reviews were conducted and fraud prevention programs on a System-level and on each campus have been implemented. He thought U. T. is well ahead of many agencies, in part because of the work of internal audit and others who have led the initiatives in terms of compliance, in terms of accountability, and in terms of the Board taking the action to implement the "Spirit" of Sarbanes-Oxley. He said there would be follow-up with the Governor's Office through a working group and Mr. Eric Polonski, Audit Supervisor from the U. T. System Audit Office, would represent the University to assess the reports that have come in. Dr. Kelley noted there is room for improvement, but through the leadership of the Board, U. T. System is well ahead of the process.

Vice-Chairman Krier asked Dr. Kelley to consider looking to see that fraud is not occurring anywhere within the U. T. System, and to look at claims, litigation, and settlements that are filed against the U. T. System. Executive Vice Chancellor Kelley responded there are several sorts of initiatives, one being compliance. He explained they try to take a subset of that and look at areas where there was personal gain involved. For example, failure to report adequately to the EPA creates a lot of additional risks, but is not necessarily fraud as there is no personal incentive to commit a fraud. In terms of litigation and settlements, only to the extent that a fraud resulted from an activity or action that an individual had something to gain from is reviewed.

Regent Krier asked about workers' compensation and Dr. Kelley said that was clearly an area of much emphasis as it was included in the Executive Order for targeted agencies both in terms of targeted risk areas and a review of the various fraud prevention activities.

Vice-Chairman Krier asked if there were fraudulent claims against University institutions and Dr. Kelley responded affirmatively. He said they would be attempting to create a cultural environment where fraud is not tolerated, where it is

reported, and where there is some self-policing, which is the key to identifying fraud. He added there will be a host of structural items such as separation of duties and checks and balances.

7. **U. T. System: Report on compliance high-risk area activity regarding U. T. System's response to time and effort compliance issues**

Committee Meeting Information

Presenter(s): Mr. Charles G. Chaffin, Chief Audit Executive and System-wide Compliance Officer
Status: Reported

Agenda Item:

REPORT

The Office of the Inspector General of the Department of Health and Human Services regularly conducts compliance audits of higher education institutions, some of which have emphasized time and effort reporting on federal grants provided by the National Institutes of Health. In several recent cases involving non-U. T. institutions, universities have reached settlement agreements and repaid millions of dollars to the federal government.

Dr. Kenneth Shine, Executive Vice Chancellor for Health Affairs, will report on U. T. System's activities in response to federal time and effort compliance issues.

Discussion at meeting:

Mr. Chaffin reported that Dr. Shine was unable to be present for this report. He reminded the Committee he had previously reported that time and effort was becoming a hot compliance issue on a national basis as a result of fines that have been paid at Northwestern, Johns Hopkins, and most recently at Harvard. He said it is based on effort reporting, a term used to provide the basis for charging researchers' time to grants. He said time and effort reporting is not a new issue, having been around for 20-30 years, but it is not being audited and as a result, U. T. System is found to be somewhat vulnerable.

Mr. Chaffin outlined the following reasons for the complexity related to time and effort:

- *Federal rules and regulations affecting this issue are complex, being located in different parts of the federal regulations and their interpretations are very different by different people.*
- *Researchers are not necessarily adequately trained to keep accurate time records. He said the estimates have been difficult to substantiate.*

- *He explained the 40-hour workweek myth whereby people often work more than 40 hours per week but calculations are based on a 40-hour workweek.*
- *It is difficult to accurately capture a faculty member's effort. He gave the example of a faculty member working in a research lab with a research assistant; is that teaching or is that research? And it becomes more complex when a faculty member is working on some sort of a protocol, is seeing a patient, and is taking medical students with him along the way.*

Mr. Chaffin reported that the Offices of Academic Affairs and Health Affairs have assumed responsibility for the challenge and are taking a proactive approach. For example, the health institutions have conducted a self-assessment against certain core elements to find out where they are. A teleconference with the vice presidents for research was held to discuss issues and a meeting with the health institutions and U. T. Austin was held in Austin, chaired by both Dr. Shine and Executive Vice Chancellor Sullivan, because, he said, this is not only an issue for the health institutions, but also for the academic institutions.

Audit Director Chaffin presented the following ways to fix the problem and stated he expects to report at the February or May 2005 meeting that the issues are being resolved:

- *Specialized training programs have been developed and information is being shared with the institutions.*
- *An internal certification program will be developed for those who work in this area, such as in grants and contracts administration.*
- *Reporting mechanisms will be merged into one reporting program that can be used by all institutions. He said collaboration among the campuses can add value to the institutions.*

8. U. T. System: Report on System-wide Internal Audit Activities

Committee Meeting Information

Presenter(s): *Mr. Chaffin and Ms. Hagara*

Status: *Reported*

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Kimberly Hagara, Assistant Director for System-wide Compliance, reported on System-wide audit activity for Fiscal Year 2004, including the status of significant audit recommendations.

The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 14.1 – 14.4 of the Agenda Book. Additionally, a list of other audit reports that have been issued by the System-wide audit program and the State Auditor's Office follows on Page 14.5 of the Agenda Book.

Significant audit findings/recommendations are submitted to and tracked by the System Audit Office. Quarterly, the chief business officers are asked for the status of implementation, and the internal audit directors verify implementation. A summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant recommendations quarterly.

Mr. Chaffin will present a recently established protocol for notifying institutional management of any significant findings or other issues prior to reporting to this Committee. This process is intended to ensure that institutional management is aware of such issues and is allowed an adequate opportunity for discussion and comments. A description of the new protocol is set forth on Page 14.6 of the Agenda Book.

Mr. Chaffin will also report on the System-wide Internal Audit Strategic Plan, as set forth on Pages 14.7 - 14.9 of the Agenda Book. The plan is the result of collaboration among institutional audit directors and the System Audit Office and includes objectives, strategies, and performance measures to address six primary initiatives for Fiscal Year 2005.

Discussion at meeting:

Mr. Chaffin introduced the following institutional audit directors, who had previously met with Vice-Chairman Hunt in his role as Acting Committee Chairman in the absence of Regent Estrada:

- *Ms. Lois Pierson, new Audit Director, U. T. Health Science Center - Houston*
- *Mr. Robert Rubel, U. T. Southwestern Medical Center - Dallas*
- *Ms. Kathy Kapka, U. T. Tyler*
- *Ms. Gail Lewis, U. T. Health Center - Tyler.*

Mr. Chaffin referenced the mailout to the Board of an annual report of all audit functions. He noted that overall, the audit function is doing well. With the high demand for auditors as a result of Sarbanes-Oxley, he discussed the challenge to keep good people in internal auditing.

Mr. Chaffin explained the use of colors in the report and said a new category has been introduced, which is both a red and a yellow, to indicate that progress has been made in the quarter the significant finding was reported.

He reported there were 94 items at the beginning of the quarter, 10 items were added, and 14 items were taken off. He reported on the status of the 24 State Auditor's recommendations and reported on a mechanism to communicate the significant findings to the campuses. He spoke about development of strategic plans that dovetail into the long-term U. T. System-wide strategic plan that has six key areas as follows:

- *to provide a professional, well-trained, and motivated team*
- *anticipating and responding to risk*
- *effective communication and reporting*
- *collaboration and partnerships. He said the best example is the collaboration on this financial audit.*
- *compliance with the various auditing standards*
- *completion of the audit plan.*

9. U. T. System: Annual Report on System-wide Institutional Compliance Program

Committee Meeting Information

Presenter(s): *Mr. Chaffin and Ms. Hagara*

Status: *Reported*

Agenda Item:

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Ms. Kimberly Hagara, Assistant Director for System-wide Compliance, will brief the Audit, Compliance, and Management Review Committee on the annual report of the System-wide Compliance Program, as set forth on Pages 15.1 - 15.4 of the Agenda Book. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.

Next, Mr. Chaffin will report on the overall number and types of compliance "hotline" calls that have been received System-wide during Fiscal Year 2004.

Mr. Chaffin and Ms. Hagara will then brief the Committee on the status of the Compliance Program Peer Review process. A schedule of component peer reviews is set forth on Page 15.5 of the Agenda Book.

Discussion at meeting:

Ms. Hagara said a detailed annual report on compliance activities at U. T. System Administration, the institutions, and The University of Texas Investment Management Company (UTIMCO) had been mailed to members of the Board. She highlighted the following related to the compliance program:

- *A compliance peer review process was developed and implemented at U. T. System Administration and at eight institutions during the last year. She noted the process as a good way to share information and best practices, and to evaluate where each of the institutions is in their program. She noted the process will be completed over the next year at the other institutions.*
- *The Audit Office hosted two national conferences; one on the Sarbanes-Oxley Act in higher education and one on enterprise risk and building a culture of ethics and compliance. Ms. Hagara noted U. T. System is on the leading edge in these areas and the conferences were good venues to find out what other institutions are doing and to share what the U. T. System has been doing over the years.*
- *Staff has made national presentations through a variety of organizations including research and governmental organizations and a staff member is working with a compliance and ethics group on a national level that is developing standards for compliance programs.*
- *During the year, many institutions worked on high-risk items including the areas of clinical billing, endowments, information resources and security, research, and privacy.*
- *Approximately 60,000 employees across the U. T. System have been trained both in specialized training in high-risk areas and general compliance training.*
- *An action plan for each compliance program is required for each year to describe ways to focus efforts over the next year.*
- *New risks such as time and effort reporting, changes in the U.S. Sentencing Commission Guidelines, and enhancement of the confidential reporting mechanism are being reviewed. Ms. Hagara reported the confidential reporting mechanism has a triage process to address each item coming through the reporting process. During the last fiscal year, 512 confidential reports of suspected instances were received. Each one was triaged and*

followed up on. The reporting mechanism helps institutions identify potential "hot button" items that need to be addressed through training or other communication efforts.

Mr. Chaffin reported the 16 hotlines (one at each institution and one at U. T. System Administration) are working well to provide an avenue of last resort to resolve issues and thus reduce the number of issues going to the press or to legislators.

ADJOURNMENT

Acting Committee Chairman Hunt announced that an Executive Session was not needed and that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 5:25 p.m.

MINUTES
U. T. Board of Regents
Finance and Planning Committee
November 4, 2004

The members of the Finance and Planning Committee of the Board of Regents of The University of Texas System convened at 5:25 p.m. on Thursday, November 4, 2004, on the 9th Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance:

Attendance

Vice-Chairman Hunt, presiding
Vice-Chairman Krier
Regent Barnhill
Regent Caven (for Items 4-5)
Regent Rowling

Also present were Regent Craven and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Hunt called the meeting to order.

1. U. T. System: Approval of Docket No. 119

Committee Meeting Information

Not on agenda for Committee meeting

Agenda Item:

RECOMMENDATION

It is recommended that Docket No. 119, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1 of the Agenda Book, be approved.

It is also recommended that the Board 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. System: Report of the Energy Utility Task Force for Fiscal Year 2004

Committee Meeting Information

Presenter(s): Mr. Aldridge
Status: Reported

Agenda Item:

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2004 using materials attached on Pages 16.1 - 16.5 of the Agenda Book. The Energy Utility Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to reduce energy consumption, better manage commodity price risk, and leverage its purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to the Board in November 2001. A 2-4% reduction in System-wide energy use per square foot was targeted for Fiscal Year 2003 and was achieved. A 5-10% reduction in energy usage is targeted for Fiscal Year 2006. The estimated reduction in energy usage through Fiscal Year 2004 is 5.4%. An annual update is presented to the Finance and Planning Committee of the Board each year.

Discussion at meeting:

Associate Vice Chancellor Aldridge reported the issuance of \$650 million of Revenue Financing System debt at a long-term fixed rate of 4.33% for the purpose of funding approximately 40 projects, including several Tuition Revenue Bond projects. In response to a question from Committee Chairman Hunt, Mr. Aldridge said the average life of the debt was 14 years.

Mr. Aldridge gave a brief history of the Energy Utility Task Force and said its three major priorities are (1) to reduce energy consumption, (2) to better manage commodity price risk, and (3) to leverage System-wide purchasing power in response to deregulation. He reported a 5.4% energy reduction from baseline levels for Fiscal Year 2004, which is within the 5-10% reduction in System-wide energy use per square foot targeted by Fiscal Year 2006. Mr. Aldridge reported that several energy conservation projects have recently been approved by the Board and noted that a recent contract between six U. T. System institutions -- U. T. Arlington, U. T. Dallas, U. T. Permian Basin, U. T. Tyler, U. T. Southwestern Medical Center - Dallas, and U. T. Health Center - Tyler -- and Constellation NewEnergy, Inc., was a good example of leveraging purchasing power. He also reported savings by U. T. Austin by securing a fixed price on its natural gas. Mr. Aldridge said the rise in energy costs has been mitigated by a lag in utility rates and fixed pricing contracts. He said a database has been compiled to track energy utilization and a report will be given to the Finance and Planning Committee each year.

3. U. T. System: Permanent University Fund quarterly update

Committee Meeting Information

Presenter(s): Mr. Aldridge

Status: Reported

Agenda Item:

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin Excellence Funds, and the AUF balance.

REPORT

A summary of the assumptions used in calculating the PUF debt capacity is provided on Page 17.1 of the Agenda Book. As of August 31, 2004, the market value of the PUF was \$8.1 billion compared to \$8.0 billion as of May 31, 2004 (Figure A on Page 17.2 of the Agenda Book). During Fiscal Year 2005, \$341.2 million will be distributed to the AUF, compared to \$348 million in Fiscal Year 2004 (Figure B on Page 17.3 of the Agenda Book). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006 and are not projected to be capped due to constitutional purchasing power restrictions.

Assuming a 8.36% investment return (Figure C on Page 17.4 of the Agenda Book), there is an estimated \$308 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved if the updated PUF distribution forecast and the new debt structure as a result of the PUF Bonds, Series 2004A&B transaction and the \$60 million cash defeasance transaction completed in August are incorporated. This PUF debt capacity incorporates the impact of the \$100 million Library, Equipment, Repair and Rehabilitation (LERR) appropriation for Fiscal Year 2005. PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure D on Page 17.5 of the Agenda Book).

Discussion at meeting:

Associate Vice Chancellor for Finance Aldridge said this is a quarterly item to update the Finance and Planning Committee on the growth of the PUF investments converted into debt capacity. He reported that the PUF debt capacity as of August 31, 2004, is \$308 million and he listed the main PUF debt capacity base case assumptions used to explain how that number is derived. Mr. Aldridge said there has been a decline in the PUF distribution, but an increase of approximately \$12 million is projected for Fiscal Year 2006. He said the \$308 million PUF debt capacity differs from the \$700 million legal capacity because it is a financial calculation based on projections.

Regent Rowling asked the difference between the 8.36% investment return and the 5.1% average annual return noted in the Ennis Knupp Performance Report (see Item 4 below). Committee Chairman Hunt responded that the 5.1% is a real return net of expenses and inflation and the 8.36% is a nominal return with a purchasing power adjustment for inflation and expenses. Mr. Aldridge added that the PUF debt capacity calculation is a six-year calculation and the debt capacity in the next 12 months is approximately \$150.6 million.

Committee Chairman Hunt pointed out the importance of Figure D on Page 17.5 of the Agenda Book because it shows the sensitivity of debt capacity to variables within U. T. System control.

4. U. T. Board of Regents: Report on Investments for quarter ended August 31, 2004, and Performance Report by Ennis Knupp + Associates

Committee Meeting Information

Presenter(s): Mr. Steve Voss, Mr. Boldt

Status: Reported

Future Actions:

1. Ennis Knupp to qualify footnote on Page 18.12 of the Agenda Book regarding Cambridge endowments as requested by Vice-Chairman Krier.
2. UTIMCO reports should distinguish benchmarks as requested by Vice-Chairman Krier.
3. Research differences in General Endowment Fund figures between Pages 18.9 and 18.14 of the Agenda Book and provide information to all members of Finance and Planning Committee.
4. Add footnote to final statement of investment policy to document historical benchmarks.
5. Incorporate summary of Liquidity Policy compliance into the quarterly report on investments [on a quarterly basis] (see Item 5, Page 20.4 of the Agenda Book).

Agenda Item:

REPORTS

Pages 18.1 - 18.7 of the Agenda Book contain the Summary Reports on Investments for the three months ended August 31, 2004.

Item I on Pages 18.1 - 18.2 of the Agenda Book reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was .75% versus its composite benchmark return of 1.43%. The PUF's net asset value increased by \$89.9 million since the beginning of the quarter to \$8,087.9 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 18.3 - 18.5 of the Agenda Book reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was .65% versus its composite benchmark return of 1.43%. The GEF's net asset value increased \$39.0 million since the beginning of the quarter to \$4,207.6 million.

Item III on Page 18.6 of the Agenda Book reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.18% for the three months versus the SITF's performance benchmark of 1.20%. The SITF's net asset value decreased by \$11.2 million since the beginning of the quarter to \$1,178.0 million. This decrease in net asset value includes withdrawals from the SITF and distributions.

Item IV on Page 18.7 of the Agenda Book presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$182.4 million to \$2,293.7 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$56.1 million versus \$56.0 million at the beginning of the period; equities: \$325.0 million versus \$308.8 million at the beginning of the period; and other investments: \$16.1 million versus \$2.2 million at the beginning of the period.

An Executive Summary of the Performance Report on investments for the quarter ended August 31, 2004, as prepared by Ennis Knupp + Associates is attached on Pages 18.8 - 18.15 of the Agenda Book.

Discussion at meeting:

Mr. Steve Voss of Ennis Knupp + Associates summarized highlights of the Performance Report on investments for the quarter ending August 31, 2004, and noted that the 14.7% Permanent University Fund (PUF) return for the end of 2004 was the strongest fiscal year return since 2000. Vice-Chairman Krier requested elaboration of the second footnote on Page 18.9 of the Agenda Book concerning the statement that benchmark reporting had not been approved by the Board of Regents and Mr. Voss explained the difference in the way Ennis Knupp and UTIMCO report benchmark data. Committee Chairman Hunt added that this is a complex issue with many different components and he has asked Executive Vice Chancellor Kelley to reconcile these differences. Dr. Kelley said unless there was a clear reason to change, benchmarks approved by the Board were used. Vice-Chairman Krier suggested changing the benchmark policy if it is flawed and expressed concern that UTIMCO used a benchmark that is not in compliance with policy. Mr. Hunt said UTIMCO set the benchmark in its policy portfolio and benchmarks have only been adopted by the Board within the last year. President, Chief Executive Officer, and Chief Investment Officer Boldt added that the footnote is a bit misleading because the Board of Regents had not approved benchmarks prior to the last year and previous authority to establish and maintain benchmarks was delegated to UTIMCO. He explained that prior to this year, changes were made to the benchmark retroactively. Mr. Boldt said UTIMCO reviewed the history to come up with an appropriate benchmark for the full time period and that review is well disclosed. Committee Chairman Hunt said this is a highly technical subject and he emphasized the need for the Board to set benchmarks to judge how well the U. T. funds are being managed and to report to stakeholders.

Regent Barnhill and Vice-Chairman Krier asked if these benchmarks had any effect on compensation and Mr. Hunt and Associate Vice Chancellor for Finance Aldridge replied that they had no effect; the compensation plan has its own benchmarks based on a peer group. Vice-Chairman Krier asked what the numbers 13.22 for UTIMCO versus 15.8 mentioned on Page 18.9 of the Agenda Book referred to and Mr. Boldt responded that the majority of the difference for the last year can be explained by one factor -- the benchmark used by Ennis Knupp has private capital and is the Wilshire 5000 Index plus 5%, a proxy benchmark, whereas UTIMCO uses the Venture Economic benchmark adopted by the Board that is the actual benchmark that measures private capital. Mr. Voss added that different benchmarks were used since the benchmarks for the first four months of the year had not yet been adopted by the Board. Vice-Chairman Krier asked if the Venture Economic benchmark was used for the one-year period and Mr. Boldt replied that for half of the year the old benchmark was used. Vice-Chairman Krier asked what benchmark was used prior to the adopted benchmark and Mr. Boldt responded that for part of the time a flat 17%, Wilshire 5000 plus 5%, and S&P 400 plus 4% were used.

Mr. Voss said Ennis Knupp believes it is a poor governance practice to make retroactive changes to benchmarks unless there is compelling evidence that errors were made in the past. He said it is a better practice to use the old benchmark and add on the new benchmark going forward. Mr. Voss said Ennis Knupp historically relied on the statement of investment policy for benchmarks for performance reports.

Committee Chairman Hunt said this first became an issue when the State Auditor compared UTIMCO funds to the other four large public state funds. This led to an evaluation of benchmarks and adoption of the Venture Economic benchmark. He said the real issue was the retroactivity and how to best present performance to the State Auditor and other stakeholders while maintaining an historical record. Mr. Hunt added that it is a technical issue, but does have policy implications. Mr. Voss encouraged adding a footnote to the final statement of investment policy to document what the historical benchmarks have been over time.

Regent Rowling said in looking at the return numbers, there must be a huge difference between the Venture Economic and Wilshire Index benchmarks to make such a difference in the entire portfolio with only \$1 billion out of \$16 billion invested in private capital. Mr. Boldt agreed and described what happened in the public and private equity markets during Fiscal Year 2004.

Mr. Voss continued with a summary of the Performance Report on Pages 18.10 - 18.12 of the Agenda Book noting that the PUF return of 7.0% exceeded its benchmark by a nice margin. He added that Ennis Knupp believes this is a critical benchmark objective. Vice-Chairman Krier asked if the Cambridge universe of endowments mentioned at the bottom of Page 18.12 of the Agenda Book is the same benchmark used for the Compensation Plan and Mr. Voss responded that he believed they were the same. Committee Chairman Hunt clarified the definition was those with endowments over \$1 billion with the exception of Harvard and Yale and suggested that Ennis Knupp qualify the footnote.

Vice-Chairman Krier asked if the benchmarks included in the summary on Page 18 of the Agenda Book were related to compensation. Mr. Boldt responded that the benchmark was the same as used by Ennis Knupp for this period since they began using the same benchmark as of January 1, 2004. Mr. Hunt added that different benchmarks are used for different asset categories. Vice-Chairman Krier requested that future reports distinguish between different kinds of benchmarks. She asked if information related to benchmarks on UTIMCO performance would in the future be the same as the benchmarks used for compensation? Mr. Hunt replied that it would depend on the period being reported. Mr. Boldt said the one difference between the compensation calculation and what will be included in the future is in the private equity area and he clarified that benchmarks do not affect peer comparisons.

Regent Rowling asked about the difference in General Endowment Fund (GEF) figures on Pages 18.9 and 18.14 of the Agenda Book. Ms. Joan Moeller, Managing Director of Accounting, Finance, and Administration for UTIMCO, gave a history of the GEF and Mr. Boldt said there might be a modest rounding or fee difference between the two figures. The difference will be researched and information will be provided to the members of the Finance and Planning Committee.

5. U. T. Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Liquidity Policy

Committee Meeting Information

Presenter(s): Mr. Boldt

Status: Approved

Motion: Made by Regent Rowling, seconded by Regent Barnhill, and carried unanimously

Future Actions:

1. Add a paragraph about the Liquidity Committee charter to the UTIMCO Liquidity Policy.
2. Add reference in Liquidity Policy to prior approvals to Page 20.1 like Pages 20.2 and 20.4 of the Agenda Book.
3. Incorporate summary of Liquidity Policy compliance into the quarterly report on investments [on a quarterly basis] on Page 20.4 of the Agenda Book.

Agenda Item:

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed changes to the UTIMCO Liquidity Policy as set out in congressional style on Pages 20.1 - 20.5 of the Agenda Book and as referenced in the Background Information of this item.

BACKGROUND INFORMATION

The proposed amendments to the Liquidity Policy were approved by the UTIMCO Board of Directors on September 29, 2004, and are recommended for approval by the U. T. Board with the following comments:

- The UTIMCO Board advises that the purpose of the Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and General Endowment Fund (GEF).
- The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. Board of Regents.
- The Liquidity Policy is being amended to
 - Clarify that swaps, derivatives, or other third party arrangements may alter an investment's liquidity status rather than create liquidity;
 - Clarify the responsibility that the Liquidity Committee has in reviewing new investments made in the 20% to 30% trigger zone. The Liquidity Committee will supplement, rather than replace, the procedures the UTIMCO Board has in place for the approval of new investments.
 - Require certification of the accuracy of the monthly liquidity reports by each managing director, risk manager, chief compliance officer, and president;
 - Clarify that either the UTIMCO Board or the Liquidity Committee may review and approve certain actions;
 - Propose revised charts reporting liquidity to clarify the range for the liquid investments;
 - Include minor editorial changes such as correction to the dates of establishment and approval.

The proposed UTIMCO Liquidity Policy has been reviewed by U. T. System staff. The Liquidity Policy was first approved by the U. T. Board on August 7, 2003, and was amended on December 19, 2003.

Discussion at meeting:

President, Chief Executive Officer, and Chief Investment Officer Boldt said the primary purpose of the changes is to clarify how the Liquidity Policy is to be implemented going forward. He noted there are no substantive policy changes. Committee Chairman Hunt said the Liquidity Committee was set up by action of the Board of Regents in December 2003.

In response to an inquiry from Vice-Chairman Krier, Mr. Boldt said the Liquidity Committee is defined in the Liquidity Charter and the composition includes three UTIMCO Board members and Committee Chairman Hunt. He said the current members are Mr. I. Craig Hester, Mr. Woody L. Hunt, Mr. J. Philip Ferguson, and former UTIMCO Board member Ms. Susan M. Byrne. Mr. Boldt said new membership would be set at the next UTIMCO Board meeting and Committee Chairman Hunt said going forward, the Committee would include himself, Mr. Clint D. Carlson, and Mr. Hester. Mr. Hunt added in his role as UTIMCO Board Chairman, he recommends appointments to the Committee for UTIMCO Board action. Vice-Chairman Krier suggested adding a paragraph to the Policy about the Charter to clarify how the Committee is selected and its composition. Additionally, she requested an addition to the liquidity risk measurement section of the Policy on Page 20.1 of the Agenda Book to reference prior approval by the Liquidity Committee or the UTIMCO Board, similar to the prior approval requirement included on Pages 20.3 and 20.4 of the Agenda Book. Vice-Chairman Krier said it would be helpful for the quarterly report on compliance with the Policy to be shared with the Board and Committee Chairman Hunt said it would be incorporated into the quarterly report on investments.

ADJOURNMENT

Committee Chairman Hunt announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 6:20 p.m.

MINUTES
U. T. Board of Regents
Academic Affairs Committee
November 4, 2004

The members of the Academic Affairs Committee of the Board of Regents of The University of Texas System convened at 1:30 p.m. on Thursday, November 4, 2004, on the 9th floor of Ashbel Smith Hall at The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance and absent:

Attendance

Vice-Chairman Krier, presiding
Regent Caven
Regent Craven
Regent Rowling

Absent

Regent Estrada

Also present were Chairman Huffines, Vice-Chairman Clements, Regent Barnhill, and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Krier called the meeting to order.

1. U. T. System: Reports from institutional presidents

Committee Meeting Information

Presenter(s): Presidents of academic institutions

Status: Reported

Agenda Item:

REPORT

The academic presidents will report briefly on new developments taking place at each campus. These oral reports may include any areas such as new research grants, significant collaborations with external agencies, or any other topic deemed to be important by the academic president. This is a quarterly update to the Academic Affairs Committee of the U. T. Board of Regents.

Discussion at meeting:

President García noted that Election Day was particularly significant in the region because U. T. Brownsville had a bond election on the ballot. She explained that the Master Facilities Plan for growing the campus to 20,000 students was completed during the last year but implementing the plan would be extraordinarily expensive.

Since growing the campus was a pressing need, the Trustees were asked to consider holding a bond election. They agreed and in August the bond election was placed on the ballot. The bond would raise \$68 million, but required a tax increase of 3.8 cents per \$100. The purpose of the bond, according to President García, is to double the size of the library on campus, to build more classrooms, and to create a Center for Early Childhood Study as well as a medical research center.

President García said they worked in a political environment, but noted there was bipartisan support for the bond. She said the bond election had grassroots support as well as staff, faculty, student, and alumni support. The business community stepped forward to support the bond as well.

The good news, President García announced, was a record voter turnout of over 36,000 votes passing the bond with 56% "for" and 43% "against". President García said U. T. Brownsville would now try to inform the people who voted against the bond, and make them aware of the benefits. She thanked Committee Chairman Krier for her ongoing support and acknowledged the contributions of many others in U. T. System in support of this bond election including Dr. Randa Safady, Vice Chancellor for External Relations; Ms. Deanna Rodriguez, Associate Vice Chancellor for External Relations; Ms. Cile Spelce, Associate Director for Development Communications and Media Relations; and Ms. Karen Lundquist, an attorney in the Office of General Counsel.

Committee Chairman Krier congratulated President García and said two other academic campuses have visited U. T. Brownsville and looked at this bond election as a possible funding model.

President Faulkner emphasized academic achievement of students and noted several historic highs for U. T. Austin including the freshman retention rate of 93%, the four-year graduation rate of 45%, and the six-year graduation rate of 74%. He said the institution places a lot of emphasis on these areas, and he is pleased with the improvements.

President Faulkner also mentioned the Fall 2004 report of the Commission of 125, a major undertaking by a group of about 220 citizens. The report is providing significant guidance for developing programs over the next 20 years. Chairman Kenneth M. Jastrow will report on the Commission of 125 at the February 2005 Board meeting, President Faulkner explained, so members of the Board will learn more details about the findings of the Commission.

Finally, President Faulkner expressed appreciation for the support of the Governor, the Lieutenant Governor, and the Speaker as they approved a commitment of nearly \$10 million from the Texas Enterprise Fund to support an optical fiber network for Texas research and education. The optical fiber network will be supervised and developed by the Lonestar Education and Research Network (LEARN). Although this is not a U. T. Austin item per se, President Faulkner explained, it is a higher

education item that will put Texas in an advanced position in the next several years as research-based networking evolves considerably in the United States. He concluded by expressing appreciation for the support of political leaders for this benefit to higher education.

Committee Chairman Krier noted a number of the projects funded by the Enterprise Fund have been awarded to higher education joint ventures, and she said she was pleased to see that has worked well at U. T. Austin.

President Natalicio began by stating that she would discuss leadership in athletics. She reminded the Board that last December she came forward with a recommendation from U. T. El Paso to hire Mr. Mike Price as the football coach. She received tremendous support from the Chancellor and Executive Vice Chancellor Sullivan in the course of vetting that recommendation and noted this Board was receptive to the recommendation. "I am here to tell you that leadership does make a difference," she continued. This year U. T. El Paso had roughly the same group of players they had last year but so far this year the University is 6-2 as opposed to 2-9 last year. That in itself is good news, President Natalicio said, but more significant was the media attention and the community self-esteem that has come with a winning record.

President Natalicio said she is hearing from people all over the country about U. T. El Paso being in the newspapers. She also announced U. T. El Paso would be the feature of ESPN's "Game Day" on November 6, 2004, and indicated she was interviewed for this sports story.

The publicity has been important for U. T. El Paso in terms of increased revenue because of strong ticket sales and, she said, because the institution will carry a considerable amount of visibility upon moving to Conference USA next summer. She expressed her appreciation to the Regents for their support of the hiring of Coach Price.

Committee Chairman Krier observed that President Natalicio's remarks are a great reminder that athletics and academics can complement one another.

President Watts said U. T. Permian Basin has been in the process of transformation for a number of years, and that the transformation continues. He said there was another 10% growth enrollment increase this fall, which amounts to seven semesters in a row of record student enrollment. He said new campus housing has opened and the new clubhouse will be dedicated soon.

Dr. Watts also reported the athletic program at U. T. Permian Basin now approaches 11 sports with an inaugural season for cross-country just passed and the inaugural season for baseball just ahead. In various ways, he concluded, the institution continues on the road of transformation.

President Mabry reported a 14% increase in enrollment this fall for U. T. Tyler and a recent gift from the Jacqueline M. and David G. Braithwaite Trust to establish the David G. Braithwaite Chair in biochemistry. In addition, President Mabry announced the establishment of two professorships in nursing.

President Romo said U. T. San Antonio has surpassed enrollment of 24,000 students for the fourth year in a row, with 6,000 more students enrolled than were enrolled four years ago. He said the 1,000-bed dormitory is enhancing campus life so that students can have a "real college experience". Now 45% of students are from other counties and campus life has energized the campus.

In addition, President Romo discussed the recognition U. T. San Antonio received from the National University of Honduras for a water project. U. T. San Antonio sent a team of faculty and students to Honduras for an environmental science project. They drilled eight wells in eight isolated village communities, and seven of those wells are now functioning. President Romo said he visited these communities recently and was impressed with the work of the graduate students under the leadership of Professor Louis Manz. Previously these communities had no electricity, no water, no industry, and some had no roads at all, he said. The infant mortality rate has been 30% in this region because of contaminated water. Having water will improve these communities, and President Romo said he was proud of this project.

President Jenifer said U. T. Dallas enrollment has exceeded 14,000 students, and he reported they have 38 national merit scholars, which ranks U. T. Dallas 60th in the country. President Jenifer also discussed U. T. Dallas/Texas Instruments joint dedication ceremony that "everybody from Texas" will attend on November 18. These groundbreaking ceremonies will celebrate the \$85 million Natural Science and Engineering Research Building on the U. T. Dallas campus and the \$3 billion chip manufacturing plant that will be located about one mile away that is part of Texas Instruments. Dr. Jenifer expressed his enthusiasm for this unique combination facility, one of the most collaborative projects in the nation.

President Cárdenas spoke about the Hispanic Engineering, Science, and Technology (HESTEC) week held at U. T. Pan American in late September. The event focused the entire community on science, technology, and engineering with a succession of activities. On the first day of HESTEC about 1,000 educators from the area were present and they heard from the president of Lockheed, Eastman Chemical, Chancellor Yudof, the Director of Science for the Department of Energy, the Chair of the National Science Foundation, and other science and technology leaders in the corporate and public sectors.

The corporations also offered workshops. Ford Motor Company sent 40 executives and displayed about 40 vehicles including the GT automobile, which is worth about \$180,000.

On the second day of HESTEC about 1,000 middle school students came to the campus. On the third day about 500 young women and their mothers visited campus and received information and encouragement about careers in science, technology, math, and engineering.

The highlight of HESTEC week was community day on Saturday, when 20,000 people from throughout the Rio Grande area came to campus and walked through the engineering building, walked through an exhibit area, talked to people from NASA and other corporations, and heard explanations about computer and engineering projects from U. T. Pan American students. The event is designed to encourage greater possibilities for imagining the future. President Cárdenas said she believes the payoff will be multifaceted and she expressed hope that every Regent would visit U. T. Pan American during HESTEC week.

Committee Chairman Krier said she has heard people say how that day changed their lives.

President Cárdenas added an acknowledgement of gratitude for the reception hosted by U. T. Brownsville. She thanked President García and said it was a lovely event that had powerful symbolic meaning for the region. The faculties and student services are coming together, she noted.

Committee Chairman Krier said it was an excellent example of collaboration.

President Spaniolo reported Election Day brought good news for U. T. Arlington since it was decided that the Dallas Cowboys will come to the community, which is a move that promises to be good for the economic development of Arlington. In addition, President Spaniolo said campus enrollment this fall has set an all-time record with over 25,000 students. In fact, according to President Spaniolo, U. T. Arlington had the best entering freshman class of all U. T. institutions this year in terms of academic profile with 60% of freshmen ranking in the top quartile of their high school classes.

More than 4,000 students live in university housing, with the recent opening of Kalpana Chawla Hall, a state-of-the-art residence hall providing over 400 spaces. President Spaniolo also mentioned the recently opened "Connection Café", a distinctive place where students can meet and dine. He expressed enthusiasm for the growing residential aspect of the campus.

Committee Chairman Krier reminded the Board that Kalpana Chawla Hall was named after a U. T. Arlington graduate who died February 1, 2003, in the Space Shuttle Columbia. President Spaniolo added that Kalpana Chawla's father came from India to attend the dedication ceremony, and he kept repeating, "This could only happen in the United States of America."

Committee Chairman Krier thanked the presidents for sharing good news about their campuses.

2. U. T. Austin: Authorization to establish a Doctor of Audiology degree program

Committee Meeting Information

Presenter(s): President Faulkner

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Faulkner that authorization be granted to establish a Doctor of Audiology (AuD) degree program at U. T. Austin and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the U. T. Austin Table of Programs to reflect authorization for the proposed degree program.

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

BACKGROUND INFORMATION

Program Description

U. T. Austin proposes an interdisciplinary Doctor of Audiology (AuD) that will consist of 121 semester credit hours beyond the bachelor's level. The program will be administered by the Department of Communication Sciences and Disorders in the College of Communication and will focus on academic and clinical education for those entering the profession of audiology. The degree program is designed to prepare graduates to practice audiology in a rapidly changing, technologically-advanced era. The proposed program will include state-of-the-art teaching and clinical experiences covering the scientific, clinical, and professional bases of hearing and disorders of the auditory system. The goal of the program is to produce

graduates who are highly competitive at the state and national levels and competent to provide audiology services across the life span in medical, educational, and industrial environments that will include both diagnosis and treatment of hearing disorders. The anticipated date for enrolling the first students is Fall 2005.

Need and Student Demand

The master's degree is currently the entry-level degree for the practice of audiology. The American Speech-Language-Hearing Association (ASHA), a national accrediting body, has recently published a new standard for professional practice in audiology. This standard mandates the doctorate as the entry-level degree. To maintain an accredited program in Communication Sciences and Disorders that includes audiology, curricular requirements consistent with the doctoral degree must be in place. Although U. T. Austin currently offers a Ph.D. in Audiology, the degree emphasizes research and the training of auditory scientists. The AuD degree involves preparation in the diagnosis and non-medical treatment of hearing and balance disorders with the goal of training clinicians. Because the educational objectives are clearly different, both the Ph.D. and AuD degrees need to be offered. The incidence of hearing disorders has increased dramatically with the aging of the population. Similarly, technological advances to address those disorders have shown remarkable growth in recent years.

Historically, U. T. Austin has had no difficulty attracting audiology students. It is anticipated that prospective audiologists will continue to look to U. T. Austin for graduate education. The change in the entry-level degree for the practice of audiology from the master's to the doctorate is just beginning to have an impact on student choices and decisions. The faculty, facilities, and clinical resources necessary to mount a quality AuD program are such that many universities that only offer the master's degree will likely terminate their audiology programs. This will create even greater demand among prospective students as their options within the state and nation decline. Finally, as the profession moves toward the doctorate, it is anticipated that recent graduates will return to school for training to remain competitive in this rapidly changing profession.

Program Quality

The proposed AuD degree would build on academic and clinical courses for the existing master's program in audiology, and thus access and coordinated scheduling are assured. The department already has procedures in place that meet the standards for evaluation established by ASHA and the Council on Academic Accreditation (CAA). The CAA conducts accreditation site visits at regular intervals to assess program quality. Additionally, evaluation instruments administered by the program will yield information on job performance, job satisfaction, program strengths and weaknesses, and employment trends. The effectiveness of recruiting, retention, and placement strategies will be measured, as will the rate of progress in achieving program milestones.

Program Cost

The expenditures for the first five years are anticipated to be \$53,500. These expenses are associated with library and instructional-technology costs (\$3,500) and start-up costs (\$50,000) for a new laboratory. Because the new program merges into an existing graduate program, no reassignment of faculty or administration is required at this time.

3. U. T. Austin: Authorization to transfer funds to compensate certain endowment accounts for the acquisition of land and improvements proposed to be incorporated as part of the site of a hotel and conference center located immediately south of the main campus in Austin, Travis County, Texas

Committee Meeting Information

Presenter(s): President Faulkner

Status: Approved

Motion: Made, seconded, and carried with Regent Rowling abstaining from vote

Future Action: U. T. Austin to update economic feasibility study and provide to Dr. Kelley and members of the Board of Regents for careful review before final decision to proceed with project (Item 1 on Page 54)

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Austin, to

- a. transfer funds sufficient to compensate The Louise Farmer Boyer Chair in Biblical Studies and The Professor William Shive Excellence Fund for the Study of Antiquity & Christian Origins endowment accounts for the acquisition of land with improvements described as Lots 35 and 36, Block 20, Louis Horst's Subdivision out of Outlot 20, Division "D" in the City of Austin, Travis County, Texas; and
- b. submit the acquisition to the Texas Higher Education Coordinating Board for approval, if necessary.

BACKGROUND INFORMATION

The property, located at 1908 University Avenue, was donated on August 25, 2003, by the Foundation for Biblical Studies, a Texas nonprofit corporation, to benefit The Louise Farmer Boyer Chair in Biblical Studies and The Professor William Shive Excellence Fund for the Study of Antiquity & Christian Origins at U. T. Austin. This transfer will allow the endowment to be compensated for the properties.

Based on an MAI appraisal dated April 30, 2003, the market value for the property was \$1,340,000. The property will be added to the inventory of campus land for the main campus of U. T. Austin, and will be incorporated into the site of the proposed hotel and conference center.

See Executive Session Item 3a on Table of Contents Page i of the Meeting of the Board and Facilities Planning and Construction Item 1 on Page 54 of the Agenda Book.

Discussion at meeting:

President Faulkner said the matter before the Board was not complicated, even though it might look that way. He explained the land was received by U. T. Austin as a gift by a nonprofit organization in support of two endowments. U. T. Austin has decided to use the land for institutional development purposes so the land needs to be purchased. Committee Chairman Krier confirmed market value will be paid, and she noted Regent Rowling would refrain from discussion and vote on this item.

4. U. T. Austin: Request for appointment of members to the Board of Directors of U. T. Austin School of Law Publications, Inc.

Committee Meeting Information

Presenter(s): President Faulkner

Status: Approved

Motion: Made, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Faulkner that the U. T. Board of Regents appoint Associate Dean Steven J. Goode and Assistant Dean Nancy Brazzil to serve, in addition to Dean William C. Powers, Jr., as directors of U. T. Austin School of Law Publications, Inc., an internal corporation associated with U. T. Austin.

BACKGROUND INFORMATION

U. T. Austin School of Law Publications, Inc. (UTSLP) is an internal corporation chartered in 1981 for the management of publications by the School of Law at U. T. Austin. The Bylaws provide that the members of the UTSLP Board will be "the Dean of U. T. Austin School of Law (Law School) and two Associate or Assistant Deans of the Law School nominated by the President of Austin and appointed by the Regents."

President Faulkner recommends that the U. T. Board of Regents appoint Associate Dean for Academic Affairs Steven J. Goode and Assistant Dean for Alumni Affairs Nancy Brazzil to the UTSLP Board. There are no additional costs associated with these appointments and all contractual relationships have been reviewed by the U. T. System Office of General Counsel and are in accordance with the Regents' Rules and Regulations.

The U. T. System Office of General Counsel is reviewing the other corporations affiliated with or established for the benefit of U. T. System institutions and will propose revisions to the Articles and Bylaws of those entities for appropriate consideration by the Board in the future.

5. U. T. Austin: Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

Committee Meeting Information

Presenter(s): President Faulkner

Status: Approved

Motion: Made by Regent Craven, seconded by Regent Caven, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I project at U. T. Austin at a preliminary project cost of \$12,000,000 with funding from Gifts as shown on Page 11.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 54 of the Agenda Book)

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2006

Total Project Cost:	<u>Source</u> Gifts	<u>Proposed</u> \$12,000,000
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BACKGROUND INFORMATION

Project Description

The Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I project at U. T. Austin will consist of pedestrian traffic enhancements and landscape improvements for Speedway Avenue from 21st Street to Dean Keeton Street and the East Mall from Speedway Avenue to San Jacinto Boulevard, including the East Mall fountain. The first phase includes planning and design of all of the improvements and execution of those improvements associated with the East Mall fountain.

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

Discussion at meeting:

President Faulkner said this Agenda Item addresses two distinct yet related issues. Several years ago, part of Speedway Street was closed and made into a pedestrian area. U. T. Austin needs to make this section of Speedway look better than it currently does.

This Agenda Item also addresses issues of pedestrian traffic. The East Mall has never been a stellar part of the campus from a landscape point of view, according to President Faulkner, and now there is a need for consideration of heavy pedestrian access as well so this is a project to address both concerns. The project, he added, would be supported entirely by gifts and would probably be done in phases as money becomes available, but it is necessary to proceed with the planning.

6. U. T. El Paso: Authorization to establish a Master of Science in Environmental Sciences degree

Committee Meeting Information

Presenter(s): President Natalicio

Status: Approved

Motion: Made, seconded by Regent Rowling, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Master of Science in Environmental Sciences degree program at U. T. El Paso; 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.

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

BACKGROUND INFORMATION

Program Description

U. T. El Paso proposes an interdisciplinary Master of Science in Environmental Sciences that will consist of 30 semester credit hours beyond the bachelor's level. The program will be administered by the College of Science and will focus on interdisciplinary environmental science. The program is designed to prepare graduate students who wish to contribute to understanding of the interactions between human beings and their environment. This interdisciplinary program offers a rigorous foundation in the sciences focused on preparing students for careers in the environmental workforce and for entry into doctoral programs in environmental sciences or other sciences. The program will provide a necessary link between the existing Bachelor of Environmental Science degree and the Ph.D. in Environmental Science and Engineering. The anticipated date for enrolling the first students is Fall 2005.

Program Quality

This degree program will add to an existing successful program in interdisciplinary environmental sciences. The Environmental Sciences and Engineering Program currently has 38 faculty members and approximately 50 Ph.D. students. The Bachelor of Environmental Sciences involves faculty from Chemistry, Biology,

Geology, and Physics and currently has 32 students enrolled. Faculty members are already members of the graduate faculty in their own departments. Many of the faculty members are active in the Environmental Sciences and Engineering Ph.D. program. The interdisciplinary nature of the program allows a broad range of research topics and advisors.

Program Cost

Expenditures for the first five years are anticipated to be \$663,425.

Five new faculty positions have already been created to support this program. Because the program merges into the existing environmental programs, no reassignment of faculty is required at this time. The program will require \$525,400 for teaching assistants; \$25,000 for reassigned clerical staff; and \$14,250 for reallocation of an administrator. Equipment, library resources, and supplies for teaching the additional students will require a total of \$98,775.

Discussion at meeting:

President Natalicio explained the new degree program would complement the two other environmental sciences programs at U. T. El Paso, one at a bachelor's level, the other at a doctoral level. The program would provide students an opportunity to earn a master's degree in Environmental Sciences while offering teachers an opportunity to grow their science skills and to prepare for a doctoral program. Faculty members are in place so this is a low cost proposition. There are a significant number of environmental issues in the region, President Natalicio added, and there is a great interest in this among U. T. El Paso students, so it is an appealing program.

7. U. T. El Paso: Authorization to lease approximately 3.801 acres of land in El Paso, El Paso County, Texas, to High Desert Investors, L.P.

Committee Meeting Information

Presenter(s): President Natalicio

Status: Approved

Motion: Made, seconded by Regent Rowling, and carried with Regent Craven abstaining from vote

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that authorization be given for U. T. El Paso to lease approximately 3.801 acres of land in El Paso, El Paso County, Texas, to High Desert

Investors, L.P. with terms substantially similar to those outlined in the transaction summary on Pages 28 - 29 of the Agenda Book. The negotiated lease term will be 50 years for construction and operation of a hotel.

It is further recommended that President Natalicio or her delegate be authorized to execute all documents, instruments and other agreements, with the prior approval of the Office of the General Counsel and the U. T. System Real Estate Office, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property is a 3.801-acre tract of land along the major entrance on the east side of the U. T. El Paso campus, with improvements consisting of two vacant residences and two residences currently occupied by the campus Police Department, which is scheduled to move to new facilities in 2005. The site is close to the academic core of the campus as well as the Student Union and its facilities, and approximately three blocks from a medical center with two major hospitals.

U. T. El Paso wishes to enter into a ground lease agreement with High Desert Investors, L.P. to develop a hotel on the site of the subject property. High Desert Investors, L. P. is a Delaware limited partnership whose general partner is High Desert Hospitality, L.L.C. The principals of High Desert Hospitality, L.L.C. are Russell Vandenburg and Charles Garrett. An initial report on the feasibility of a hotel located on the U. T. El Paso campus was prepared by HVS International (a leading valuation service company in the hospitality industry retained by the development company) and favorably reviewed by an independent consultant hired by the University to validate HVS International's study. The report recommends a facility similar to the proposed franchisee, Hilton Garden Inns, with 150 guestrooms, a conference facility, and a dining area. The facility would be designed and constructed with Bhutanese architectural features to complement the character of the U. T. El Paso campus.

The hotel will accommodate university-sponsored conferences and meetings, alumni, and out-of-town guests attending other special events, as well as provide convenient hotel accommodations for the adjacent medical center.

Transaction Summary

Institution:	U. T. El Paso
Transaction:	Ground Lease
Lessee:	High Desert Investors, L.P.
Tract Size:	3.801-acre site on U. T. El Paso campus
Land Use:	3,000* square foot hotel with 150 guest rooms, a conference facility, and a dining area <i>*The 3,000 figure was incorrect in the Agenda Book. The conference facility will be 3,000 square feet but the hotel will be larger.</i>
Lease Term:	50 years
Extension Options:	Two options to renew for 10 years each at then market rates as determined by independent appraisals with dispute resolution clauses (under negotiation)
Ground Rent Schedule:	Nominal rent until certificate of occupancy issued Fixed base rent for five years (determined by land value) or until 72% occupancy is reached for one full year. After five years or 72% occupancy, the rent will be the greater of the fixed base rent or the following: Percentage rental equals the sum of: (i) two percent (2%) of room sales for the year in question for the first 10 years of the lease term, and then three percent (3%) of room sales for each subsequent year; plus (ii) one percent (1%) of the food and beverage gross sales for the year in question; plus (iii) one percent (1%) of the other income gross sales if any, from operations and business conducted on the premises for the year in question, minus (iv) the fixed base rent payable for the year in question. Sales/revenues of subtenants will be included in the calculation. Every five years the base rent will be adjusted to the average of the preceding three years and in no event shall it decrease.

Taxes: Tenant to pay all taxes and imposition of every kind

Title Work: To be completed by Hughes Butterworth, LandAmerica
Lawyers Title of El Paso

Commencement Date: November/December 2004

Lessee Selection Process: Direct Appointment

Real Estate Commission: None

Discussion at meeting:

President Natalicio said this project gives U. T. El Paso the opportunity to create a hotel property for the campus. Before discussing the project, President Natalicio introduced several key people who could answer questions about the project: Mr. Greg McNicol, Associate Vice President for Finance and Administration; Ms. Cynthia Villa, Vice President for Finance and Administration; and Mr. Russell Vandenburg, principal of High Desert Hospitality.

This project proposes leasing a plot of ground at the edge of the U. T. El Paso campus to High Desert Investor, and Mr. Vandenburg and his partners would develop a hotel on this piece of ground. There has been great difficulty with insufficient hotel space in El Paso near the U. T. El Paso campus, President Natalicio explained, so this as an exciting opportunity. Basically this is a Hilton Garden Inn project, she said, with 153 rooms, 5 stories, a 2-story parking garage, and a full-service restaurant. She expressed great appreciation that the hotel will have a Bhutanese architectural style because that will be very helpful to the continuity of the architectural scheme on campus. This Agenda Item is basically a ground lease to High Desert Hospitality, who will be responsible for construction and management of the hotel.

Pending Board approval, the plan is to begin the project in December 2004 with the goal of completion within 12 months. President Natalicio also noted the presence of two very large hospitals that will be within walking distance of the proposed hotel. Many patients come from northern Mexico, she said, and their family members need a place to stay so this will likely add to the occupancy of this hotel.

President Natalicio noted the Agenda Book incorrectly referred to a 3,000-square foot hotel. The exact square footage of the hotel is not yet determined, but it will be larger than 3,000 square feet. (See note on Page 15.)

Regent Rowling asked if a fixed-based rent would be charged prior to the occupancy level reaching 72%, and President Natalicio affirmed that was the case. Vice President Villa said it would be about \$55,000 a year. Regent Rowling then asked if the ground lease would be subordinated, and Vice President Villa responded in the negative.

Regent Craven abstained from voting.

8. U. T. San Antonio: Authorization to establish a Master of Arts in Communication degree program

Committee Meeting Information

Presenter(s): President Romo

Status: Approved

Motion: Made by Regent Rowling, seconded by Regent Craven, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Master of Arts in Communication degree program at U. T. San Antonio and 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 U. T. San Antonio Table of Programs to reflect authorization for the proposed degree program.

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 Master of Arts (M.A.) in Communication degree program. This program will be offered by the Department of Communication in the College of Liberal and Fine Arts. The program is designed to prepare students with integrated knowledge and skills in communication, including the theory, research, and practice that are requisite to success in contemporary communication industries, scholarship, and/or creative endeavors. The understanding and effective application of new communication technologies will also be stressed. In addition,

the program's emphasis on international and intercultural communication is designed to prepare students to work effectively with multicultural populations in a variety of settings, including health care and other professional and social organizations.

The program is 33 or 36 semester credit hours of coursework beyond the bachelor's degree. For students electing the 33 hour program, a thesis/or project is required; for students electing the 36 hours of coursework, no thesis is required. The thesis or project option is designed to provide students with the opportunity to develop an independent research or creative project in a specialized area of interest. The non-thesis option will provide students with the opportunity to gain applied knowledge from additional coursework, internship experiences, and/or independent study. Fifteen hours of core courses will be required of all students, plus additional coursework in an area designed to provide them with specialized knowledge in an area of communication such as news media, interpersonal communication, organizational studies, or international/intercultural communication. Students electing the thesis/ project option will take six semester credit hours of thesis/project research. Given the multidisciplinary character of communication studies, students will have the opportunity to take three to six semester credit hours of coursework outside the Department of Communication in related fields such as Management, Information Systems, Bicultural-Bilingual Studies, and Sociology.

Program Quality

The Department of Communication currently has 11 full-time tenured and tenure-track faculty members, and has recently hired three faculty and plans to hire three additional faculty members to contribute to the M.A. program by the fifth year. Thus, by the fifth year there will be 17 full-time faculty members in the Department of Communication. Current faculty members publish in a number of areas relevant to the proposed program. The Department of Communication is housed in the College of Liberal and Fine Arts. It is among the departments selected to occupy the new Main Building on the 1604 Campus. Dedicated facilities for the Department of Communication will include sufficient office space for existing and anticipated faculty members as well as for graduate assistants, a distance-learning equipped seminar room, and a computer teaching classroom for multimedia design and production. In addition, the Durango Building at the Downtown Campus features a state-of-the-art instructional technology suite consisting of a computer classroom for design and production work, a video production/distance learning studio, and a small group observation lab. The existing facilities will meet program needs.

Program Cost

The cost of operating the program in the fifth year is approximately \$860,520, with the majority of the costs associated with hiring new faculty and staff to assist in the delivery and support of the program. Revenues from formula funding and the reallocation of existing resources are expected to be sufficient to fully fund the program.

Discussion at meeting:

President Romo said U. T. San Antonio wants to expand academic programs in key areas, and noted there is a strong interest in having a Master of Arts in Communication degree program. Currently, U. T. San Antonio has about 800 undergraduates majoring in this area and the faculty is mostly in place to expand so the cost is reasonable. President Romo said enrollment growth would take care of the need to hire a few additional faculty members to support this program.

9. U. T. Tyler: Authorization to create a master planned property acquisition zone for the U. T. Tyler campus

Committee Meeting Information

Presenter(s): President Mabry

Status: Approved

Motion: Made by Regent Craven, seconded by Regent Rowling, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Tyler, to create a "property acquisition zone", consisting of nine tracts of unimproved land and three tracts of land with improvements containing approximately 189.42 acres in close proximity to the U. T. Tyler main campus, with the understanding that approval to acquire specific properties included in the proposed acquisition zone is not being requested at this time.

BACKGROUND INFORMATION

Enrollment at U. T. Tyler has increased 76% over the past five years and growth rates are expected to continue through the end of the decade, with enrollment projected at 7,000 by 2010. The University's 206-acre main campus contains only 160 acres suitable for constructing buildings to support the expected growth in enrollment and expansion of research programs. To maintain the park-like nature of the campus and to avoid the campus becoming landlocked by private development of the few parcels of vacant land contiguous or near the main campus, U. T. Tyler has identified several parcels (nine tracts of unimproved land and three tracts of land with improvements) to be included in a property acquisition zone. A master plan would be developed for these properties as part of the overall Campus Master Plan once creation of the property acquisition zone is approved. Properties contained in

the proposed acquisition zone would initially be used for remote parking, athletic fields, and an art or research building, and later as sites for research centers, academic buildings, athletic and recreational venues, and student housing.

Residential and commercial development of properties surrounding the U. T. Tyler main campus has resulted in rapidly increasing property values. The properties in the requested property acquisition zone have an estimated market value of \$15,752,400 and can be acquired now for lower prices than in the future. Creation of the property acquisition zone and subsequent acquisition of the properties contained therein as they become available would allow the University to control potential commercial and other uses of the properties adjoining the campus. With the exception of a proposed acquisition of 11.3558 acres of vacant land (see Item 10 below), no approval to acquire specific properties included in the proposed acquisition zone is being requested at this time.

Discussion at meeting:

With a map of the campus projected onto the screen, President Mabry said the campus is rapidly becoming landlocked and the Agenda Item grows out of a need for eventual expansion of the campus. This is a friendly attempt to inform people around the campus of an intention to be larger at some point in the future and to let people know the probable future boundaries. Although U. T. Tyler would probably not require all of the available land around the campus, President Mabry said there is a need to plan within those boundaries and to develop a Master Planned Property Acquisition Zone. He pointed out four parcels of unimproved land at the main entrance of the campus as well as several other parcels of land that the institution might find useful for parking, athletic venues, research or academic buildings, or other kinds of spaces.

10. U. T. Tyler: Authorization to purchase approximately 11.3558 acres of vacant land in Tyler, Smith County, Texas

Committee Meeting Information

Presenter(s): President Mabry

Status: Approved

Motion: Made by Regent Caven, seconded, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Tyler, to

- a. purchase approximately 11.3558 acres of undeveloped land located at the northeast corner of Old Omen Road and University Boulevard (Spur 248), Tyler, Smith County, Texas, at a price not to exceed the fair market value as determined by independent appraisals;
- b. submit the acquisition to the Texas Higher Education Coordinating Board for approval, if necessary; and
- c. authorize the Executive Vice Chancellor for Business Affairs or his delegate to execute all documents, instruments and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Tyler wishes to purchase the subject property, consisting of approximately 11.3558 acres of undeveloped land strategically located at the main entrance to the University's main campus, to acquire property crucial to long-term development and expansion of the existing campus. The property would initially be used for remote parking and later be used for construction of academic and research buildings, student housing, and athletic venues. (See Item 9 on Page 31 of the Agenda Book related to creation of a master planned property acquisition zone.)

Because residential and commercial development of properties surrounding the U. T. Tyler campus has resulted in rapidly increasing property values, the current purchase price of \$625,000 is projected to be lower than if the purchase were made at a future date. The land is currently under a sales contract dated August 27, 2004, to Ms. Eleanor A. Stringer, a member of the U. T. Tyler Development Board, and will be assigned to U. T. Tyler if the acquisition is approved. The source of funding will be uncommitted fund balances.

The terms and conditions of the purchase are as reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. Tyler
Transaction:	Purchase
Property Size:	11.3558 acres
Property Address:	Northeast corner of Old Omen Road and University Boulevard (Spur 248), Tyler, Texas
Type of Property:	Vacant land (undeveloped woodland)
Seller:	Saleh Children, L.P. (through assignment of contract by Ms. Eleanor A. Stringer)
Contract Price:	\$625,000
Appraised Value:	\$495,000 (Benchmark Appraisal Group, August 17, 2004) \$625,000 (Kennedy Holtcamp Thompson, September 9, 2004) \$990,000 (Appraisal Associates, September 13, 2004)
Flood Hazard:	Outside FEMA flood zone

Discussion at meeting:

Referring to the campus map projected on the screen, President Mabry pointed out a commercially-zoned 11 acres that U. T. Tyler proposes to buy for \$625,000. Private money will offset part of the cost and some funds will come out of reserves for this acquisition. President Mabry said the location of this particular piece of land is important because there is a need to expand in that direction.

Regent Craven asked why there was a wide discrepancy with the appraisals in a one-month period of time.

President Mabry said Ms. Florence Mayne, Executive Director of Real Estate at U. T. System, had researched the discrepancy among the bids so he asked her to respond to the question. Ms. Mayne said she talked to all three appraisers and asked them to talk to each other to see if they could reconcile the difference among their bids. Although they were unable to reconcile the difference, she said they all agreed that they disagreed on two main factors. One issue that the appraisers took into consideration at various levels was evaluation of the topography and a drainage

ditch on the property. The lowest bid heavily discounted for the topography, the middle bid discounted for this factor but to a lesser degree, and the highest bid did not consider the low grade of part of the property at all.

Also, according to Executive Director Mayne, the three appraisers used different comparables. The \$625,000 bid used comparisons with properties closest in proximity to the subject property. The \$495,000 appraiser took into consideration that the property had been on the market for a period of time at \$550,000, and that the seller finally gave a deadline for offers indicating that the highest offer would be accepted. The \$495,000 appraiser believed this action on the part of the seller indicated a forced sale and discounted his appraisal accordingly. However, there were a number of bidders on the property, which the \$625,000 appraiser thought indicated a strong interest in the property and a good indication of value.

Committee Chairman Krier asked if the mid-level appraisal would be utilized for the purchase. Ms. Mayne said yes, also noting the \$495,000 bid and the \$625,000 bid would be submitted to the Coordinating Board. Committee Chairman Krier confirmed with Ms. Mayne that this was all acceptable to the seller.

11. U. T. Arlington: Affirmation for approval to offer academic courses in Fort Worth

Committee Meeting Information

Presenter(s): President Spaniolo

Status: Approved

Motion: Made by Regent Rowling, seconded by Regent Caven, and carried unanimously

Additional Agenda Item: (not bound in the original Agenda Book but mailed to members of the Board prior to the meeting, posted with the Secretary of State, and available on yellow paper at the meeting):

RECOMMENDATION

Chancellor Yudof concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Spaniolo that, in response to a request from the Texas Higher Education Coordinating Board, the approval of the U. T. Board of Regents be affirmed for U. T. Arlington to offer academic courses in Fort Worth.

BACKGROUND INFORMATION

U. T. Arlington has, in good faith, offered academic courses in Fort Worth for several years. These courses have been highly successful, with evidence of demand for additional courses and programs. To date, courses have been workforce-related in the areas of business, education, engineering, and social work. The existing course offerings in Fort Worth were approved by the Southern Association of Colleges and

Schools, the regional accrediting agency for U. T. Arlington, in 2001. In reviewing U. T. Arlington's request for tuition revenue bond authorization related to a classroom building, the Coordinating Board asked for documentation concerning the authority for U. T. Arlington to offer academic courses in Fort Worth. Minutes of the Board of Regents from 2000 to the present document U. T. Board of Regents' action on at least five items related to academic course offerings in Fort Worth. While these actions show knowledge and constructive approval by the U. T. Board of Regents for the Fort Worth course offerings, formal affirmation of this approval has been requested by the Coordinating Board staff to allow the Coordinating Board to consider the U. T. Arlington tuition revenue bond request at the meeting in January 2005.

Discussion at meeting:

The Executive Vice Chancellor for Academic Affairs said U. T. Arlington began offering courses in Fort Worth in 1999, principally at the Master's level and principally in workforce-related areas. However, in the next legislative session, U. T. Arlington wants to present a tuition revenue bond and the Coordinating Board has asked for formal affirmation by the U. T. Board of Regents for the institution to offer courses in Fort Worth.

ADJOURNMENT

Committee Chairman Krier announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 2:17 p.m.

MINUTES
U. T. Board of Regents
Health Affairs Committee
November 4, 2004

The members of the Health Affairs Committee of the Board of Regents of The University of Texas System convened at 2:25 p.m. on Thursday, November 4, 2004, on the 9th Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance:

Attendance

Vice-Chairman Clements, presiding
Vice-Chairman Krier
Regent Caven
Regent Craven
Regent Rowling

Also present were Chairman Huffines (for Items 5-8), Vice-Chairman Hunt, Regent Barnhill, and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Clements called the meeting to order.

1. **U. T. Health Center - Tyler: Honorific naming of the Ambulatory Care Center as The Riter Center for Advanced Medicine**

Committee Meeting Information

Presenter(s): Dr. Patricia A. Blair, Executive Director of Legal Affairs, U. T. Health Center - Tyler

Status: Approved

Motion: Moved by Vice-Chairman Krier, seconded by Regent Craven, and carried unanimously

Future Action: Vice-Chairman Krier expressed interest in including Regent Riter's legacy on the plaque for The Riter Center for Advanced Medicine.

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Calhoun that the U. T. Health Center - Tyler Ambulatory Care Center be renamed The Riter Center for Advanced Medicine.

BACKGROUND INFORMATION

The Ambulatory Care Center consists of four floors with 132,670 square feet of space for patient waiting areas, patient exam rooms, physician and nurse work areas, diagnostic testing areas, a primary health clinic, a senior assessment clinic and exam rooms, and a diabetes education area. The fourth floor will be complete in 2005, and will house the Women's Wellness Center, a surgery suite, the breast care center, a community conference room, and additional exam and physician work areas.

A. W. "Dub" Riter, Jr., former Vice-Chairman of the U. T. Board of Regents, served Tyler and the State of Texas in a multitude of ways. At the time of his death in September 2003, Mr. Riter had been a member of the U. T. Health Center - Tyler Development Board since 1982, serving as chair from 1992 until 2003. In February 2003, he completed a six-year term as a member of the Board of Regents of the U. T. System and was asked by Governor Perry to extend his term through the 2003 legislative session.

Mr. Riter was chairman of the U. T. Health Center - Tyler Development Board during the capital campaign to raise funds to finish out the empty third and fourth floors of the Ambulatory Care Center. This allowed U. T. Health Center - Tyler to reorganize and reconfigure the first two floors to better meet the needs of current patients and allow for future growth. Along with devoting countless hours of service to U. T. Health Center - Tyler, Mr. Riter, his wife B.J., and the Riter family have donated generously to various U. T. Health Center - Tyler causes.

Mr. Riter served on the Governor's Select Task Force on Public Education and various boards and committees at the local level, among them the U. T. Tyler Development Board, Tyler Independent School District Foundation, Junior Achievement, East Texas Hospital Foundation, and Tyler Economic Development Council.

The naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

Discussion at meeting:

Executive Director Blair said President Calhoun was not able to attend this meeting. Dr. Blair said currently U. T. Health Center - Tyler has no buildings named for an individual or family central to the development and expansion of the campus and this first honor should be conferred on Mr. A. W. "Dub" Riter, Jr., and his family for their devotion to the Health Center, U. T. Tyler, the entire U. T. System, and the State of Texas. She summarized former Regent Riter's service and said he and his family are pillars of the Tyler community. Dr. Blair said construction is continuing on the last phase of the Ambulatory Care Center and the facility, adjacent to the U. T.

Health Center - Tyler hospital, will be the home of future research activities. Dr. Blair noted a substantial amount of funding for the facility came from the efforts of Regent Riter and his involvement with the Ambulatory Care Center campaign committee.

Committee Chairman Clements said Dub Riter was a beloved friend on the Board of Regents and a great leader. Vice-Chairman Krier said the naming was a wonderful gesture and she hoped some of Mr. Riter's legacy shared by Dr. Blair would be included on a plaque so visitors to the facility will know why the name is special. Mrs. Clements asked Dr. Blair to extend the Board's appreciation to Mrs. A. W. Riter, Jr. (B.J.), and to send her the Board's good wishes.

2. U. T. Southwestern Medical Center - Dallas: Approval to establish the U. T. Southwestern Health Systems Board of Visitors

Committee Meeting Information

Presenter(s): Dr. Kern Wildenthal, President, U. T. Southwestern Medical Center - Dallas

Status: Approved

Motion: Moved by Regent Rowling, seconded by Vice-Chairman Krier, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Wildenthal that the U. T. Board of Regents authorize the Chancellor, on behalf of U. T. Southwestern Medical Center - Dallas, to establish the U. T. Southwestern Health Systems Board of Visitors to be composed of business and community leaders who will serve in a non-voting advisory capacity and provide strategic advice to U. T. Southwestern Medical Center - Dallas regarding its operation of Zale Lipshy University Hospital, St. Paul University Hospital, and U. T. Southwestern's outpatient facilities. Approval of establishment of this entity is consistent with the requirements of establishment of a development board (Regents' Rules and Regulations, Part One, Chapter VII, Section 5).

It is further recommended that the Board recognize that U. T. Southwestern's operation of its clinical services can best be achieved by the continued participation and active support from business and community leaders who have been instrumental in the establishment and operation of Zale Lipshy University Hospital and St. Paul University Hospital prior to acquisition of these university hospitals by U. T. Southwestern.

Further, it is recommended that the Board delegate to the President of U. T. Southwestern the authority to direct the organization and utilization of the Board of Visitors.

BACKGROUND INFORMATION

On August 12, 2004, the Board of Regents authorized the Chancellor, on behalf of U. T. Southwestern, to (a) direct that final agreements covering acquisition of Zale Lipshy University Hospital and St. Paul University Hospital by U. T. Southwestern be negotiated and submitted for Board approval at a future meeting, and (b) direct the preparation and filing of any required submittals to other governmental agencies in connection with the proposed transaction.

The Board approved acquisition of the assets of Zale Lipshy University Hospital and St. Paul University Hospital by U. T. Southwestern on October 12, 2004.

It is anticipated that the closing of this transaction will occur on or before December 31, 2004, and U. T. Southwestern Medical Center - Dallas will begin operation of Zale Lipshy University Hospital and St. Paul University Hospital in conjunction with U. T. Southwestern outpatient facilities on January 1, 2005. It is the intention of U. T. Southwestern Medical Center - Dallas to establish the Board of Visitors effective January 1, 2005.

Discussion at meeting:

President Wildenthal said prior to the acquisition of Zale Lipshy University Hospital and St. Paul University Hospital by U. T. Southwestern Medical Center - Dallas, those two hospitals were ably served by a strong community board. He said with responsibility for the hospitals shifting to the U. T. Board of Regents, the Board of Visitors would serve in an advisory capacity to the U. T. Board. Dr. Wildenthal noted that Regent Rowling was a valued member of the previous board's finance committee and U. T. Southwestern wished to keep people of his caliber involved. Committee Chairman Clements said the boards were comprised of a group of talented individuals and it would be good to have their continued advice.

In response to a request by Executive Vice Chancellor Shine, President Wildenthal updated the Board on the status of acquisition of the hospitals by saying acquisition is on track for December 31, 2004, approval has been obtained to transfer the ground lease from Parkland Hospital to U. T. Southwestern Medical Center - Dallas, and the Coordinating Board has approved the transaction. He said 2,200 employees will be transferred from employment at the hospitals to U. T. Southwestern Medical Center - Dallas on January 1, 2005, and the transition process should be seamless. Dr. Wildenthal added that employee benefits at U. T. Southwestern Medical Center - Dallas are superior and the employees were eager for the transfer.

In response to an inquiry by Regent Rowling, President Wildenthal said that all current board members have been invited to become members of the new Board of Visitors and all have accepted the invitation with the exception of seven. He anticipates the establishment of three-year rotating terms in the future. Regent Rowling commented that it will be a very strong board.

3. **U. T. Southwestern Medical Center - Dallas: Approval of a deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended**

Committee Meeting Information

Presenter(s): Dr. Kern Wildenthal, President, U. T. Southwestern Medical Center - Dallas

Status: Approved

Motion: Moved by Vice-Chairman Krier, seconded by Regent Rowling, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor and General Counsel, and President Wildenthal that the U. T. Board of Regents authorize establishment and implementation of a deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended, subject to review and approval of the General Counsel.

BACKGROUND INFORMATION

U. T. Southwestern Medical Center - Dallas is proposing to establish a deferred compensation plan (the "Plan") for selected individuals as identified by the president with approval of the Executive Vice Chancellor for Health Affairs. The purpose of the Plan is to encourage retention of individuals key to the success of U. T. Southwestern Medical Center - Dallas. The structure of the Plan would allow for the deferral of compensation pursuant to Section 457(f) of the Internal Revenue Code, similar to the U. T. System Deferred Compensation Plan.

The details of the Plan are as follows:

- a. Certain individuals ("Eligible Employees") as designated by the president, with the approval of the Executive Vice Chancellor for Health Affairs, would be determined to be eligible for deferral of compensation under the Plan on an annual basis.
- b. The deferrals would be for a minimum of three (3) years and a maximum of five (5) years (the "Operative Period") as determined by the president.
- c. During the Operative Period, U. T. Southwestern Medical Center - Dallas will contribute the approved deferred amounts on an annual basis to an account which will be credited or debited with deemed earnings or losses.

- d. At the end of the Operative Period assuming the Eligible Employee is still employed by U. T. Southwestern Medical Center - Dallas, the Eligible Employee will become vested in the contributed amounts, including earnings or losses to that date. At that time, the balance in the participant's account will be considered taxable income to the Eligible Employee.
- e. The eligible employee must be employed and satisfactorily performing in an eligible position at the end of the Operative Period in order to receive the balance in the participant's account.
- f. As soon as practicable, the Eligible Employee will receive distribution of the balance in the participant's account, subject to all deductions required by law.

Discussion at meeting:

President Wildenthal said U. T. System and U. T. M. D. Anderson Cancer Center already have the capability to offer deferred compensation plans and the addition of this compensation option will help U. T. Southwestern Medical Center - Dallas to recruit and retain healthcare executives. He added the plan is modeled after what is already in place at U. T. System and U. T. M. D. Anderson Cancer Center.

4. U. T. M. D. Anderson Cancer Center: Approval of Amended and Restated Articles of Incorporation for M. D. Anderson Services Corporation and delegation to amend Articles and Bylaws

Committee Meeting Information

Presenter(s): Dr. John Mendelsohn, President, U. T. M. D. Anderson Cancer Center and Mr. Leon J. Leach, Executive Vice President, U. T. M. D. Anderson Cancer Center

Status: Approved with additional amendment that substantive amendments to the Articles and Bylaws are to come back to the Board for approval and nonsubstantive amendments are to have the prior approval of the Executive Vice Chancellor for Health Affairs and the Office of General Counsel

Motion: Moved by Vice-Chairman Krier, seconded by Regent Craven, and carried with Vice-Chairman Clements abstaining from vote

Future Action: A review of all corporations and private foundations affiliated with U. T. System is ongoing and a consolidated recommendation will be brought before the Board at a future meeting.

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor and General Counsel, and President

Mendelsohn that the U. T. Board of Regents approve Amended and Restated Articles of Incorporation for the M. D. Anderson Services Corporation as set out on Pages 42 - 48 of the Agenda Book.

It is further recommended that, consistent with the proposed Amended Articles, authority to amend the Corporation's Articles and Bylaws be delegated to the Member of the Services Corporation (the president of U. T. M. D. Anderson Cancer Center), provided that any such amendment shall have received the prior approval of the U. T. System Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

M. D. Anderson Services Corporation (formerly M. D. Anderson Cancer Center Outreach Corporation) was established in 1989 as a not-for-profit corporation to enhance revenues of U. T. M. D. Anderson Cancer Center by establishing joint ventures in selected markets, providing additional referrals to the institution, contracting for delivery of inpatient and outpatient management, utilizing existing U. T. M. D. Anderson Cancer Center reference laboratory services, and fostering additional philanthropy in distant areas.

Pursuant to Bylaws approved by the Board of Regents on February 15, 2001, M. D. Anderson Services Corporation shall be managed by a seven person Board of Directors. Three of the Directors, one of whom shall be a Regent and two of whom shall be administrative officers of The University of Texas System, may be appointed by the Board of Regents. Currently, the following serve as Directors:

- Mr. Leon Leach
- Dr. David Callender
- Dr. Margaret Kripke
- Dr. Martin Raber
- Vice-Chairman Rita Clements
- Executive Vice Chancellor for Health Affairs Kenneth Shine
- Associate Vice Chancellor for Finance Philip Aldridge.

Upon approval of amendments proposed in Article VII of the Articles attached on Page 44 of the Agenda Book, the Regent and the two U. T. System Administration officers will be as follows and will serve by virtue of their position:

- the Chairman of the U. T. Board of Regents' Health Affairs Committee,
- the Executive Vice Chancellor for Health Affairs, and
- the Executive Vice Chancellor for Business Affairs.

In an effort to respond to emerging corporate governance and corporate responsibility initiatives, the U. T. System requested that members of the governing boards of the certified nonprofit health corporations of the System's six component health institutions attend a one-day educational seminar focusing on the roles and responsibilities of nonprofit board members. The Boards of Directors of the two U. T. M. D. Anderson Cancer Center nonprofit health corporations, M. D. Anderson Services Corporation and M. D. Anderson Physicians Network, were invited to participate in the June 10, 2003, Corporate Governance Training session conducted by The University of Texas at Austin Red McCombs School of Business.

Based on the information provided at the Governance Seminar, M. D. Anderson Services Corporation ("Services Corporation") initiated an internal review of practices and procedures pertaining to corporate governance issues. The internal review resulted in a determination that the Corporation's Articles of Incorporation (the "Articles") and Bylaws should be revised with respect to (a) the right to indemnification by the Corporation and (b) the liability of Directors to the Corporation. These recommendations are in accordance with good corporate practices as presented at the U. T. System Governance Seminar. Amendment of the Articles of Incorporation and Bylaws of the Corporation currently requires Regental approval. Accordingly, it is recommended that the Amended and Restated Articles be approved to address these issues and provide greater flexibility to amend Articles and Bylaws in the future.

The current Articles require the Corporation to indemnify any person who is or was a Director, officer, employee, or agent of the Corporation, subject to certain limitations. Proposed substantive changes are as follows:

- New Article VII would simplify appointment of Directors.
- New Article XII would be amended to
 - (a) require the Corporation to indemnify only Directors and officers of the Corporation and (b) permit, but not require, the Corporation to indemnify employees and agents of the Corporation,
 - permit, but not require, the Corporation to indemnify and advance expenses to persons (other than Directors, officers, employees, or agents of the Corporation) who are or were serving at the Corporation's request as a Director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation or other enterprise against any liability asserted against him or her in such a capacity,

- incorporate the language of the Texas Non-Profit Corporation Act with respect to the procedures for indemnification,
 - (a) exclude indemnification for only medical malpractice (and not other forms of professional malpractice, such as legal malpractice) and (b) apply the exclusion for medical malpractice claims to all persons (such as employees of the Corporation),
 - exclude indemnification for the acts of any person with respect to such person's personal capacity,
 - permit the Corporation to pay or reimburse the reasonable expenses of a Director, Member, officer, employee or agent of the Corporation in connection with his or her appearance as a witness or other participation in a proceeding, and
 - provide in accordance with the Texas Miscellaneous Corporation Laws Act that a Director of the Corporation shall not be liable to the Corporation for any act or omission in the individual's capacity as a Director except for (a) a breach of a Director's duty of loyalty to the Corporation, (b) an act that is not in good faith, constitutes a breach of duty to the Corporation, or involves intentional misconduct or a knowing violation of the law, (c) a transaction in which a Director received an improper benefit, or (d) an act for which the liability of a Director is expressly provided by law.
- New Article XIII would allow the Member (president of U. T. M. D. Anderson Cancer Center) to amend the Articles and Bylaws in the future, provided that any such amendment shall have received the prior approval of the U. T. System Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel.

The U. T. System Office of General Counsel has held discussions with the other corporations affiliated with or established for the benefit of U. T. System health institutions and will propose revisions to the Articles and Bylaws of those entities for appropriate consideration by the Board in the future.

Discussion at meeting:

Committee Chairman Clements noted that as a member of the Board of the M. D. Anderson Services Corporation, she would not vote on this item because the item deals with indemnification of Board members.

President Mendelsohn said the Articles of Incorporation allow U. T. M. D. Anderson Cancer Center to deliver care off-site. He introduced Executive Vice President Leach who said a project was initiated by U. T. System to review entities affiliated with health institutions. Mr. Leach said the Bylaws and Articles of Incorporation were reviewed and resulting changes were (1) indemnification issues to put the Corporation in compliance with the Sarbanes-Oxley Act and State laws, (2) establishment of automatic Board of Directors membership by virtue of position, and (3) authorization for Dr. Mendelsohn to approve future changes to the Articles and Bylaws with prior approval by the U. T. System. He added that the Board will likely see similar requests from other U. T. System institutions. Executive Vice Chancellor Shine agreed and said this is the first in a series of modifications in the spirit of the Sarbanes-Oxley Act affecting 501(a) entities.

Vice-Chairman Krier expressed concern that the authority to amend the Corporation's Bylaws was open-ended with no need for future substantive changes to come before the Board. Dr. Mendelsohn said the changes were developed with the assistance of the Office of General Counsel and he had no objection to bringing substantive issues before the Board. Interim Vice Chancellor and General Counsel Steven R. Collins added that although Board approval is not required, changes must be approved by the Executive Vice Chancellor for Health Affairs and the Office of General Counsel. Executive Vice Chancellor Shine said the intent was that the Board would not have to approve minor changes and he was open to amending the Articles and Bylaws to require that the Board approve substantive changes.

Vice-Chairman Krier recommended an amended motion to delegate approval of nonsubstantive amendments to U. T. System staff and to have substantive amendments come before the Board. Dr. Mendelsohn and Vice-Chairman Krier suggested that Dr. Shine and the Office of General Counsel could be responsible for identifying substantive changes. Committee Chairman Clements concurred that only substantive changes should come before the Board in the interest of simplification. Ms. Francie A. Frederick, Counsel and Secretary to the Board, agreed to this approach and said a review of all corporations and private foundations affiliated with U. T. System was ongoing and a consolidated recommendation on how the Board might best interact with them would be brought before the Board at a future meeting.

5. **U. T. M. D. Anderson Cancer Center: Authorization to acquire real property and improvements located at 6602 Mapleridge Road, Houston, Harris County, Texas**

Committee Meeting Information

Presenter(s): *Dr. John Mendelsohn, President, U. T. M. D. Anderson Cancer Center*

Status: *Approved*

Motion: *Moved by Regent Craven, seconded by Vice-Chairman Krier, and carried unanimously*

Agenda Item:

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 authorization be granted by the U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. acquire the real property and improvements located at 6602 Mapleridge Road, Houston, Harris County, Texas;
- b. submit a request to the Texas Higher Education Coordinating Board for approval of the transaction, if necessary; and
- c. authorize the Executive Vice Chancellor for Business Affairs, subject to review and approval by the Office of General Counsel, to execute documents, instruments, and other agreements, and to take all further actions, with the approval of the Office of General Counsel, deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center leases the subject property, Bellaire Cancer Treatment Center, to operate a radiation treatment center which provides radiation oncology consultations, treatment planning, and treatment for 25-30 patients per day. Monthly rent averages \$53,580, and is based on 25% of the Cancer Center's gross technical charges at the Bellaire Cancer Treatment Center. The lease will expire in December 2006, and calls for the landlord to make a gift of the property to U. T. M. D. Anderson Cancer Center at that time.

U. T. M. D. Anderson Cancer Center wishes to buy out the existing lease from the current owner, General Electric Company, for the appraised fair market value of \$760,000. When the lease is bought out, General Electric Company will gift the property to the institution. Because M. D. Anderson estimates the minimum amount

to be paid for rent through December 2006 would be \$1,285,920, prepaying the lease now for the fair market value of the property and acquiring the property by gift from the landlord will generate a cost savings of approximately \$525,000 for the U. T. M. D. Anderson Cancer Center.

M. D. Anderson also wishes to acquire certain equipment, furniture, and other personal property owned by General Electric and associated with the Bellaire Cancer Treatment Center for its appraised fair market value of \$241,000.

The terms and conditions of this purchase are as reflected in the transaction summary below:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Transaction Type:	Lease Buy-Out; Real Estate Gift/Acquisition
Property Type:	Radiation Treatment Clinic
Property Address:	6602 Mapleridge Road, Houston, Texas
Lessor/Owner:	General Electric Company
Contract Price:	\$760,000
Appraised Value:	\$760,000 (Thomas Bearden Company, 6/18/04)
Improvements:	5,062 square feet, Medical/Professional office
Construction:	Single story tilt-wall structure built in 1993
Property Size:	0.4913 acres (21,400 square feet)
Parking:	25 surface parking spaces, including rights under parking easement on adjacent land
<u>Equipment:</u>	Being purchased separately by U. T. M. D. Anderson Cancer Center from General Electric Company
Description:	Medical equipment, including linear accelerator, office furniture, and equipment
Contract Price:	\$241,000

Valuation: Medical equipment - \$235,000
(Oncology Services International 3/18/04)

Office furniture and equipment - \$6,000
(Shattuck & Associates Auctioneers 3/5/04)

Discussion at meeting:

President Mendelsohn said the off-site property is a radiotherapy delivery center near the medical center. He said General Electric Company is willing to sell the property and equipment and the savings to U. T. M. D. Anderson Cancer Center would be substantial.

6. U. T. M. D. Anderson Cancer Center: Honorific naming of the Science Park veterinary facility near Bastrop, Texas, as The Michale E. Keeling Center for Comparative Medicine and Research

Committee Meeting Information

Presenter(s): Dr. John Mendelsohn, President, U. T. M. D. Anderson Cancer Center

Status: Approved

Motion: Moved by Regent Caven, seconded by Vice-Chairman Krier, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Mendelsohn that the U. T. M. D. Anderson Cancer Center Science Park veterinary facility near Bastrop, Texas, be renamed The Michale E. Keeling Center for Comparative Medicine and Research.

BACKGROUND INFORMATION

The Department of Veterinary Sciences at the Bastrop site is known throughout the world for contributions to the field of laboratory animal science and comparative medicine. Its well-deserved reputation is due in large measure to the visionary leadership of the late Michale E. Keeling, D.V.M., who was the department's only full-time administrative director for almost three decades until his untimely death on December 21, 2003.

Dr. Keeling was a native Texan who earned two degrees from Texas A&M University. After joining the U. T. M. D. Anderson Cancer Center faculty, Dr. Keeling moved to the unbuilt Bastrop site in August 1974. A few months later, the Science

Park's veterinary resource program was formally established to provide specialized animals needed for research. Over the years, 15 animal species ranging from mice to nonhuman primates have been bred and raised to support diverse biomedical research studies conducted in multiple departments at U. T. M. D. Anderson Cancer Center and 29 other institutions and agencies.

It was his creative approach to housing, breeding, and resocializing chimpanzees that earned Dr. Keeling an international reputation. In 1977, his proposal to protect the then-endangered chimpanzees was the first funded by the National Institutes of Health (NIH). Today, about 150 chimpanzees live at the Bastrop campus in social groups divided among seminatural compounds. The complex was expanded recently through a \$19 million NIH grant awarded in 2000 to enhance the program.

Throughout his career, Dr. Keeling had a profound influence on assuring that animals bred and used for biomedical research were cared for humanely. In addition to being active in organizations devoted to accrediting and regulating research animals, he was an advocate for appropriate use of animals to help scientists gain knowledge that continues to improve treatment and prevention of disease. He was a long-time member of the Council on Accreditation for the International Association for Assessment and Accreditation of Laboratory Animal Care. In addition, he served as president of the Association of Primate Veterinarians, the American Society of Laboratory Animal Practitioners, and the Texas Branch of the American Association of Laboratory Animal Science. His bibliography included more than 50 scientific articles and 13 textbook chapters, and he shared two patents for innovative animal housing.

The proposal to rename the Bastrop veterinary facility has the enthusiastic support of U. T. M. D. Anderson Cancer Center faculty, employees, and members of Cattlemen for Cancer Research, an organization inspired by Dr. Keeling's desire to support biomedical research and help patients access care provided by U. T. M. D. Anderson Cancer Center in Houston. In only five years, this coalition of volunteers from the agriculture and livestock industries has raised more than \$350,000 for research conducted at the Department of Veterinary Sciences and for assistance with travel expenses incurred by cancer patients from a five-county area in central Texas.

Dr. Keeling was a gifted administrator who was devoted to his profession and to the research-driven mission of U. T. M. D. Anderson Cancer Center. Renaming the Bastrop veterinary facility would honor his far-reaching contributions to the field of laboratory animal science and comparative medicine.

The proposed naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

Discussion at meeting:

President Mendelsohn said U. T. M. D. Anderson Cancer Center is the largest employer in Bastrop County with units in Smithville and Bastrop. He said the Bastrop center is one of the nation's finest veterinary facilities and was started in 1974 by Michale E. Keeling, D.V.M. Dr. Mendelsohn said Dr. Keeling built the program into a model program that has contracts with 29 agencies and institutions around the country including U. T. Austin. He added that Dr. Keeling had planned to be a major supporter of the facility in his retirement and the faculty and community are supportive of naming the center in Dr. Keeling's honor.

7. U. T. Health Science Center - San Antonio: Update on the Medical Education Division and the Medical Research Division of the Regional Academic Health Center

Committee Meeting Information

Presenter(s): *Dr. Kenneth I. Shine, Executive Vice Chancellor for Health Affairs, and Dr. Francisco G. Cigarroa, President, U. T. Health Science Center - San Antonio*
Status: *Reported*

Agenda Item:

REPORT

Dr. Cigarroa will make a presentation on the current status of the Medical Education Division and the Medical Research Division of the U. T. Health Science Center - San Antonio Regional Academic Health Center (RAHC) and the future goals using the PowerPoint presentation attached on Pages 52.1 - 52.10 of the Agenda Book.

Discussion at meeting:

Executive Vice Chancellor Shine recognized the outstanding academic campuses in South Texas and said the U. T. System is also deeply committed to improving healthcare in South Texas. He said that activity is carried out to a large extent through Regional Academic Health Centers (RAHCs) and he thought it would be helpful for the Health Affairs Committee to have a briefing on these Centers for the following reasons:

- *to recognize the presence in South Texas that can be built on because of the substantial healthcare needs and public health problems that challenge the residents of that part of the state;*

- *to help the Committee better understand what the RAHCs do and what resources they have and need as they move forward to create an integrated mission-oriented activity in South Texas by working with Executive Vice Chancellor Sullivan and the presidents of U. T. Health Science Center - San Antonio, U. T. Health Science Center - Houston, U. T. Pan American, and U. T. Brownsville to create integrated approaches to public health, graduate education, allied health education, and healthcare in the region; and*
- *to put into context items brought before the Board for approval related to RAHCs such as construction projects and programs.*

President Cigarroa summarized the PowerPoint presentation attached on Pages 52.1 - 52.10 of the Agenda Book. He recognized two individuals in attendance at the Committee meeting, Dr. Leo Vela, RAHC Regional Dean, and Mario E. Ramirez, M.D., U. T. Austin distinguished alumnus and former Regent, and he said both were instrumental in the success of the RAHC. Dr. Cigarroa also said he was pleased with the advanced funding provided by Governor Perry and the Texas Legislature and said it was important to ensure accreditation was secure to meet the mission of the RAHC.

Executive Vice Chancellor Shine emphasized the need for more residency programs since residents tend to remain in the same community in which they were trained. He also said the RAHC presented an opportunity to implement the Washington Advisory Group report by encouraging collaboration between the academic and health campuses.

Vice-Chairman Krier said it was important that the U. T. System legislative team make clear to legislators, particularly in the Valley, that additional funding continues to be needed for the RAHC facilities and programs so that U. T. Health Science Center - San Antonio is not burdened with providing the funding.

8. U. T. Health Science Center - Houston: Update on the Public Health Division of the Regional Academic Health Center

Committee Meeting Information

Presenter(s): Dr. James T. Willerson, President, U. T. Health Science Center - Houston and Dr. José T. Martín, Provost and Vice President for Academic Affairs, U. T. Brownsville
Status: Reported

Agenda Item:

REPORT

Dr. Willerson will report on the current status of the Public Health Division of the U. T. Health Science Center - Houston Regional Academic Health Center (RAHC) and the future goals. Dr. García will also be asked to comment.

Discussion at meeting:

President Willerson began his presentation by reminding the Board that the Brownsville Regional Campus (BRC) of The University of Texas School of Public Health at Houston is part of the Lower Rio Grande Valley Regional Academic Health Center (RAHC). He said BRC faculty members and researchers identify public health issues, trends, and concerns, and create solid, community-based models of public health awareness and education in the Lower Rio Grande Valley of South Texas.

Dr. Willerson noted the School of Public Health (SPH) is 33 years old and ranks in the top 10% of such schools in the country, with its doctoral program ranking number one in the country. He cited several ways the SPH collaborates with U. T. Brownsville:

- *graduate and undergraduate teaching including developing a dual degree MBA/MPH program;*
- *undergraduate and graduate students training in research programs at the SPH;*
- *weekly seminar series and joint club research activities with U. T. Pan American; and*
- *grants with research and training components such as the National Institutes of Health (NIH) and Department of Defense to support faculty.*

Dr. Willerson named several entities that collaborate with SPH including four U. T. System institutions, other universities in Texas and the United States, and several school districts. He said funding for the SPH has increased from \$14,000 to \$2 million and he said there are nine faculty members, 20 students, and 43 staff members in the SPH. He mentioned faculty members have submitted 22 research proposals this year and there are 9-10 faculty members who are principal investigators in NIH public grants and six who are co-principal investigators on SPH grants. President Willerson said some of the major research programs include diabetes and obesity in the Hispanic population, cancer, adolescent health, tuberculosis, and infectious diseases.

Dr. Willerson said future plans are to increase student enrollment and build excellence in educational programs to attract doctoral students to the BRC for research on Hispanic health problems, to collaborate with U. T. Brownsville and U. T. Pan American to increase diversity of health-related courses and degrees, to establish an Hispanic Health Research Center, and to establish a funded training program including doctoral and post-doctoral students.

He expressed appreciation to the Texas Legislature for providing \$5 million to establish the BRC facility, which includes office and educational space for students, but he said research laboratories are not completed. Dr. Willerson said a request has been submitted for a partial return of insurance funds in the amount of \$1.8 million for completion of these research laboratories. A high priority special item for the Texas Legislature is funding to finish this research phase in order to recruit scientists and equipment. Dr. Willerson concluded that he was honored to have the partnership with Dr. Cigarroa.

Executive Vice Chancellor Shine said there were obvious synergies in the public health side that he was looking forward to building on over the next several years. He said this highly leveraged investment should return a great deal. Dr. Shine acknowledged Mario E. Ramirez, M.D., saying he is truly a legend. He noted Dr. Ramirez has organized many programs to increase the pipeline of students, has been a mentor to many physicians, and has developed a program to teach young people how to interview. Following a round of applause, Chairman Clements said Governor Bill Clements was proud of his appointment of Dr. Ramirez to the Board of Regents. Former Regent Ramirez said he was grateful for the appointment and his service on the Board was one of the best experiences of his life.

On behalf of President García, U. T. Brownsville Provost Martín commended the collaboration and synergy with U. T. Health Science Center - Houston. He elaborated on several areas of collaboration including clinical research, breast cancer in Hispanic women, the study of Hispanic public health, biomedical studies, degree programs, and biological sciences.

Committee Chairman Clements expressed appreciation for the collaborative efforts and offered the support of the Board.

RECESS TO EXECUTIVE SESSION.--At 3:20 p.m., Committee Chairman Clements announced the Health Affairs Committee would recess to convene in Executive Session pursuant to Texas Government Code Section 551.071 to consider the matter listed on the Executive Session agenda.

RECONVENE.--At 4:05 p.m., the Board reconvened in open session.

EXECUTIVE SESSION OF THE HEALTH AFFAIRS COMMITTEE

In response to Committee Chairman Clements's request regarding the wishes of the Health Affairs Committee, the following action was taken:

U. T. Health Science Center - Houston: Settlement of medical liability claim -- Rosalba and Marcelo Martinez and the Estate of David Martinez

Upon motion by Regent Craven, seconded by Regent Rowling, the Chancellor and the Office of General Counsel were authorized to settle, on behalf of The University of Texas Health Science Center at Houston physicians, the medical liability litigation brought by Rosalba and Marcelo Martinez and the Estate of David Martinez in accordance with the proposal presented in Executive Session.

The motion carried unanimously.

ADJOURNMENT

Committee Chairman Clements announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 4:05 p.m.

MINUTES
U. T. Board of Regents
Facilities Planning and Construction Committee
November 4, 2004

The members of the Facilities Planning and Construction Committee of the Board of Regents of The University of Texas System convened at 4:10 p.m. on Thursday, November 4, 2004, on the 9th Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance and absent:

Attendance

Chairman Barnhill, presiding
Vice-Chairman Clements
Vice-Chairman Hunt
Regent Caven

Absent

Regent Estrada

Also present were Chairman Huffines, Vice-Chairman Krier, Regent Craven, Regent Rowling, and Counsel and Secretary Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Barnhill called the meeting to order.

Mr. Sidney J. Sanders, Assistant Vice Chancellor for Facilities Planning and Construction, presented a PowerPoint on design development plans and economic impact for Items 3 - 9 as attached on Pages 35 - 62.

1. **U. T. System: Consideration of designation as architecturally or historically significant the Stadium Fire and Life Safety/Improvement Planning and Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I projects at U. T. Austin and selection of architects for preliminary design and feasibility analysis only, subject to final project approval by the U. T. Board of Regents, for Hotel and Conference Center at U. T. Austin and selection of architects for LBJ Plaza Renovation/Lady Bird Johnson Center project at U. T. Austin**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction

Status: Approved selection of Lake/Flato Architects/HKS Architects as the architects for the Hotel and Conference Center and Overland Partners, Inc. for the LBJ Plaza Renovation/Lady Bird Johnson Center

Motion: Both motions were made by Vice-Chairman Clements, seconded by Vice-Chairman Hunt, and carried unanimously

Future Actions: Add number 11 per follow-up action list (See also Academic Affairs Committee Item 3.)

Agenda Item:

RECOMMENDATION

It is recommended that the Committee review the following projects scheduled for architectural selection for possible designation as architecturally or historically significant pursuant to the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.3:

U. T. Austin

- **Stadium Fire and Life Safety/Improvement Planning**
Proposed Project Cost: \$5,000,000
Source of funds: Revenue Financing System Bond Proceeds
- **Speedway Mall North of 21st Street and East Mall/East Mall Fountain, Phase I**
Proposed Project Cost: \$12,000,000
Anticipated Delivery Method: Competitive Sealed Proposals
Source of funds: Gifts
(See Item 5 on Page 24 of the Agenda Book)

It is further recommended that the Committee approve the selection of architects from those listed below for the following architecturally significant projects:

U. T. Austin

- **Hotel and Conference Center** -- selection of architects for preliminary design and feasibility analysis only, subject to final project approval by the U. T. Board of Regents (designated architecturally significant on February 3, 2004)
 - Lake/Flato Architects/HKS Architects, San Antonio, Texas/Dallas, Texas
 - Leo A Daly Company/RHOR Architects, Dallas, Texas/Atlanta, Georgia
 - tvs/Overland Partners, Atlanta, Georgia/San Antonio, Texas

(See Executive Session Item 3a on Table of Contents Page i of the Meeting of the Board and Academic Affairs Committee Item 3 on Page 23 of the Agenda Book)
- **LBJ Plaza Renovation/Lady Bird Johnson Center**
(designated of "special interest" on May 12, 2004)
 - Ford, Powell & Carson, San Antonio, Texas
 - Lake/Flato Architects, San Antonio, Texas
 - Overland Partners, Inc., San Antonio, Texas

Discussion at meeting:

Mr. Sanders asked if there were questions concerning the selection of architects for the Stadium Fire and Life Safety/Improvement Planning and the Speedway Mall and East Mall Fountain projects at U. T. Austin. There were none. He stated that he needed to bring those before the Committee before proceeding with the next two items.

Vice-Chairman Clements, a member of the Architect Selection Advisory Committee, recommended HKS Incorporated located in Dallas along with Lake/Flato Design Architects from San Antonio as architects for the Hotel and Conference Center project at U. T. Austin. She stated this group specializes in hospitality design in higher education projects and in a conceptual approach to design and detailing and has experience working for U. T. System. She also mentioned the Committee was pleased with the three outstanding firms interviewed, but the Committee had to make a choice and felt the choice made was an excellent one.

Regent Barnhill pointed out the interviewing committee included Vice-Chairman Clements, Regent Craven, and himself in addition to a number of experts in that field.

Mr. Sanders stated that due to conflicts of time and schedules, Regents on the Architect Selection Advisory Committee for the LBJ Plaza Renovation/Lady Bird Johnson Center project were unable to participate in the interviews of architects. Authorization was then granted to go forward with the interviews. His report from the interview committee was the recommendation to go with Overland Partners.

Mr. Sanders said the plaza surrounding the LBJ Library would be substantially funded by federal funds. He said it is in a serious state of disrepair, leaking and coming apart for a number of years. The institution has been working to secure federal funds for this project. In addition, there is a desire to recognize Mrs. Johnson, particularly for her national interest in the landscaping and beautification process she started in the 1960s, so there is a goal to incorporate some special features into this plaza reconstruction.

He stated this is not just an infrastructure project because there will be a design feature.

2. U. T. System: Report of FY 2004 Historically Underutilized Business (HUB) participation and procurement initiatives

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*

Status: *Reported*

Agenda Item:

The report on Historically Underutilized Businesses (HUB) for Fiscal Year 2004 for building construction for the U. T. System is set forth below.

REPORT

The total expenditure for Building Construction and Other Facilities by the Office of Facilities Planning and Construction for Fiscal Year 2004 was approximately \$602,000,000. Of that amount, 24.3% was paid to Certified and Noncertified Historically Underutilized Businesses for a total of over \$146,000,000 paid to women and minority-owned businesses.

The total expenditure for Professional Services for Fiscal Year 2004 was approximately \$46,700,000. Of that amount, 20.3% was paid to Certified and Noncertified Historically Underutilized Businesses or approximately \$9,500,000 paid to women and minority-owned businesses.

This information will be forwarded for inclusion in the U. T. System Administration HUB Report to the State.

Discussion at meeting:

Regent Barnhill said this item is an encouraging report on involvement with HUB businesses owned by women and minorities.

Mr. Sanders said total spending by the Office of Facilities Planning and Construction (OFPC) was \$649 million, the certified HUB was \$129 million, and the total minority in women-owned business spending was \$156 million, approximately 24% of the total. He reported the U. T. System is the second highest spending agency, second only to the Texas Department of Transportation, which has a total spending of about seven times more than U. T. System.

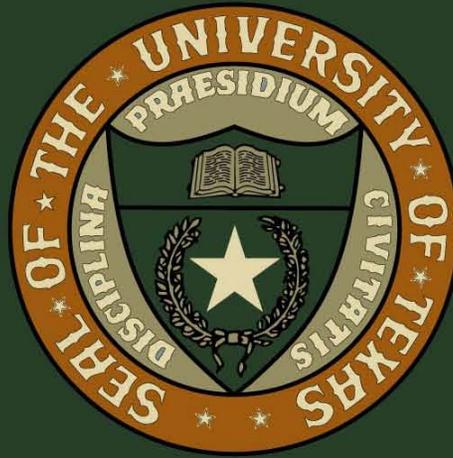
Mr. Sanders said he would like the Board to understand what it has taken to accomplish this and he presented the PowerPoint on Pages 6 - 15. He also recognized Mr. Ed Calhoun and Mr. Steve Courier with Hensel Phelps Construction Company, a major, national construction firm that has done business with U. T. System. Hensel Phelps is a mentor firm working with Haynes-Eaglin-Waters, with Haynes being the owner. Haynes-Eaglin-Waters is a HUB-based Austin firm that specializes in doors, frames, and hardware and procurement installation that has an active Mentor-Protégé agreement underway. On the consulting side, the Mentor-Protégé programs are not just in the construction industry. One of the consulting groups is Haynes Whaley Associates, Inc. The Haynes Whaley group is a structural firm that does medical projects, who is also working with structural engineers for the Galveston National Lab. This is actually the second Mentor-Protégé program that Haynes Whaley is working on for the U. T. System.

This has allowed Haynes-Whaley to participate in much larger projects than they would have had but it would have been much more difficult to participate by themselves.

Mr. Sanders also introduced the principals at Haynes Whaley Associates, Inc., Mr. Robert Tyler and Mr. Gerry García. This is the second Mentor-Protégé project that Mr. García has worked on.

Mr. Sanders recognized Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs, for comments. Dr. Kelley said the HUB report is a good news report and he is impressed with the work that has been done, particularly in the Mentor-Protégé program. He spoke about the time these companies and their principals have put into making the program successful and said much of this has been guided through the efforts of Ms. Lynda Dyess. He announced her appointment as Senior Director of HUB Programs at U. T. System and said she will report directly to him. He stated the position is being elevated to try and expand to other areas within purchasing and procurement operations. Ms. Dyess was recognized as was Mr. Thomas Larralde, HUB Program Director, and other HUB staff: Ms. Christi Johnson, Mr. Orlando Castaneda, Mr. Hopeton Hay, Ms. Dana Swann, and Ms. June Murphy.

In response to a question from Regent Craven, Ms. Dyess said people became aware of the program through broadcasts and she said that staff travels throughout the state. She said that many of the principals of the majority firms come forward to say that they want to participate in the program. She said it was like a "good virus" that had caught on.



THE UNIVERSITY OF TEXAS SYSTEM

HUB Participation: Historical Analysis

November 4, 2004

*Sid Sanders, Assistant Vice Chancellor
Office of Facilities Planning and Construction*



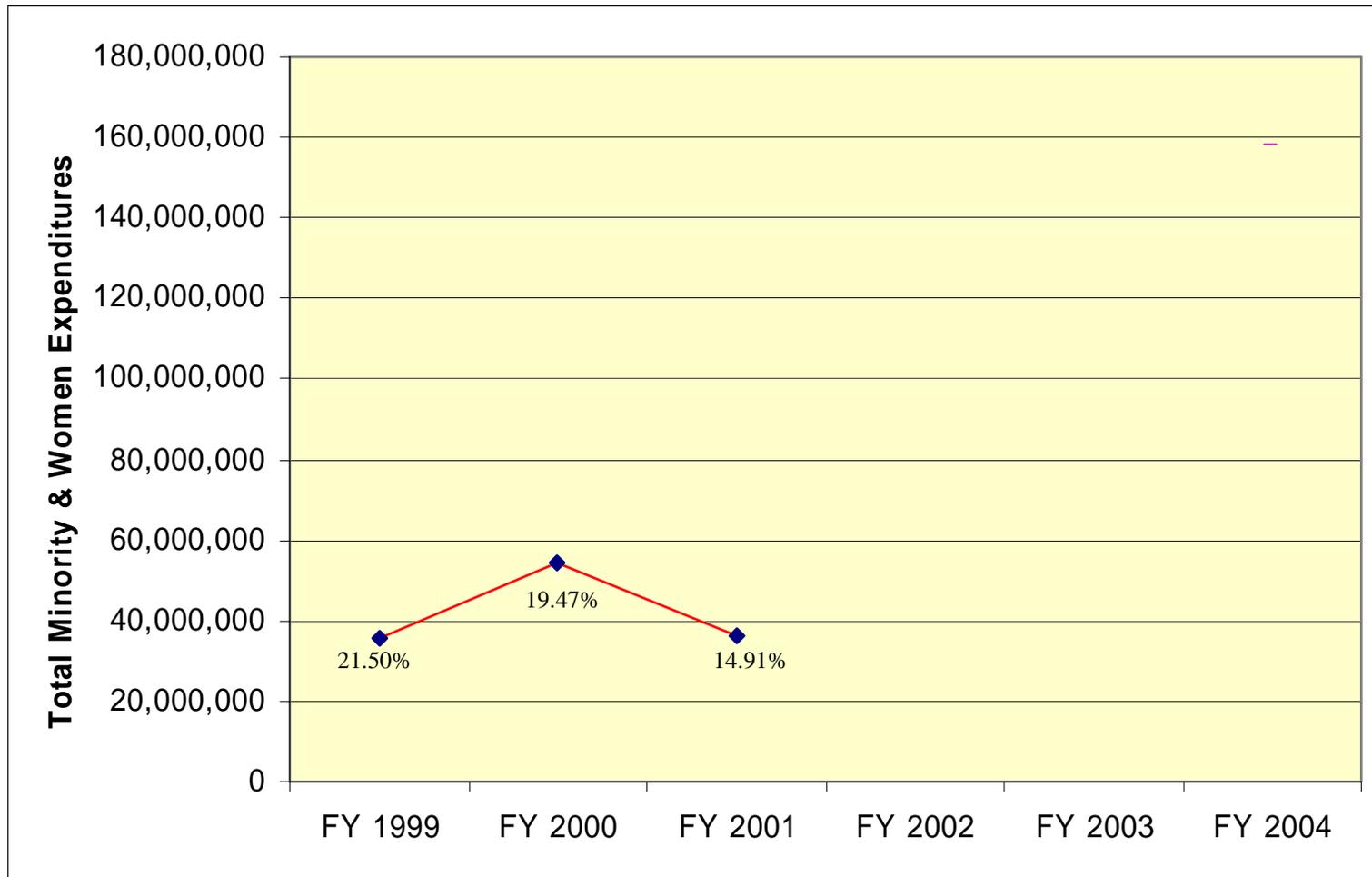
FY 2004 Spending on Minority and Women Business

Total OFPC Spending	\$649 M
Certified HUB	\$129 M (20%)
Total Minority and Woman Business	\$156 M (24%)

- Second highest spending for all state agencies (TXDOT, with total spending of 4.4B, is highest-spending agency)
- Have been second highest agency 4 of last 5 years



1999-2001 Expenditures



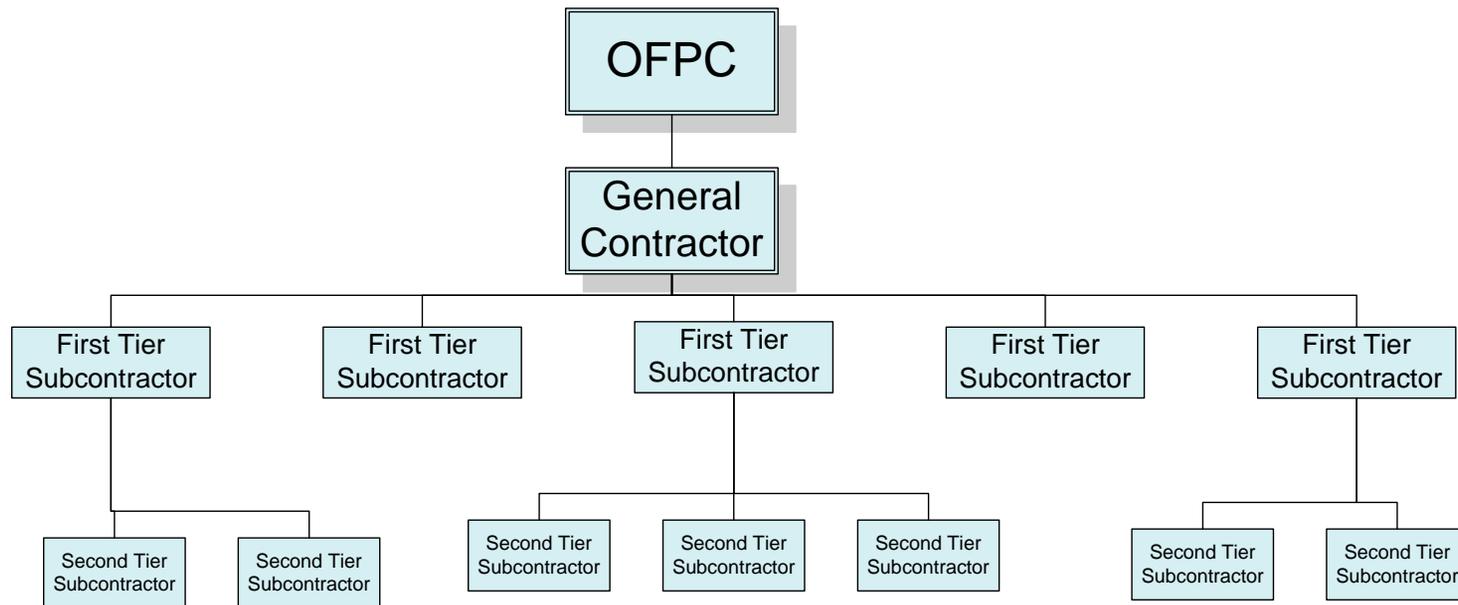


Issues / Concerns

- **Most construction dollars spent will be in large construction contracts**
- **Consequently, most first-tier subcontracts will be very large**
- **Most HUB firms will not be able to bid at first-tier level due to size**
- **Concern that HUB participation will potentially decline**



Typical Construction Contract Agreement



10

SB178 stipulates measurement at the General Contractor and First-Tier Subcontractor levels



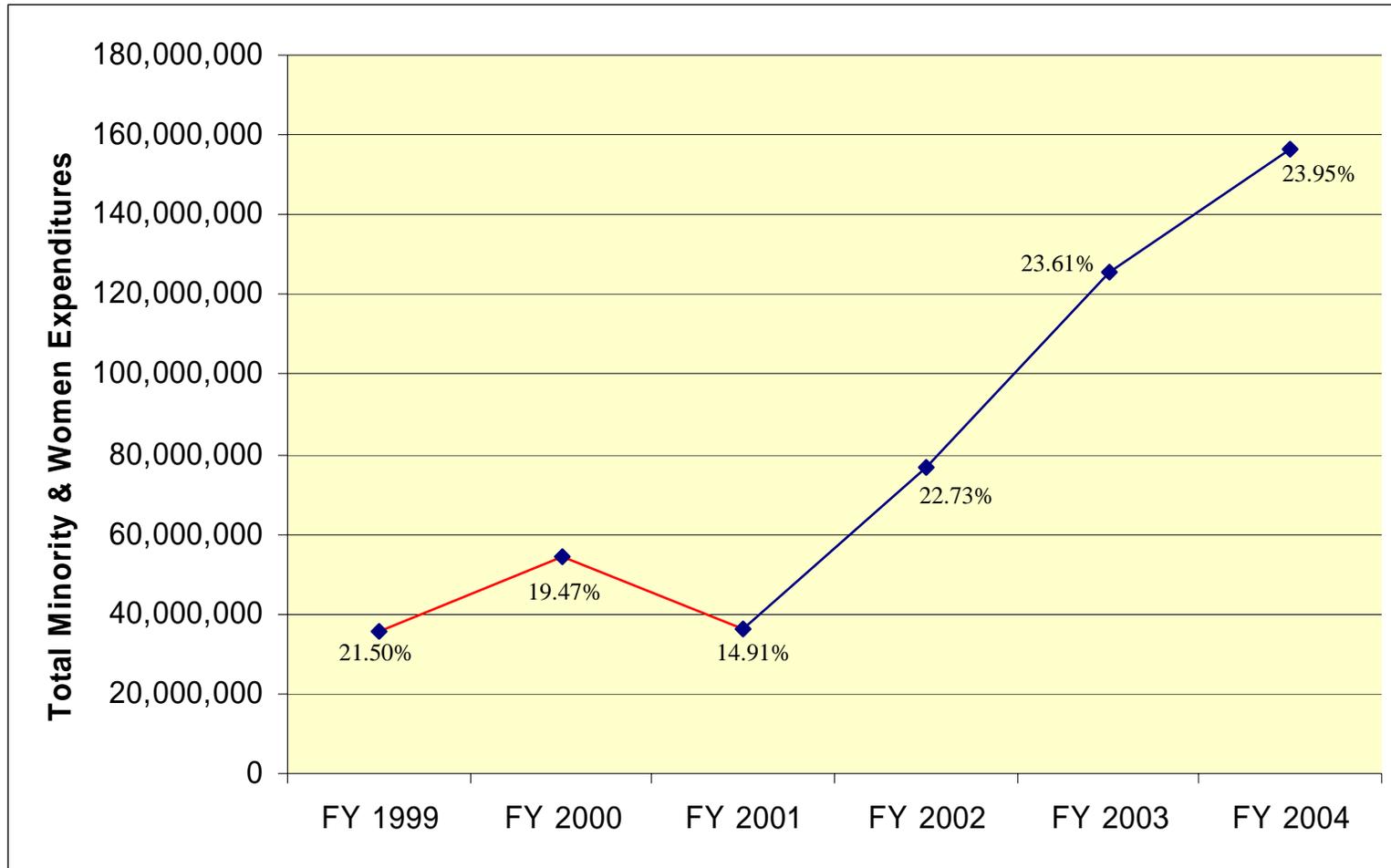
Strategic Plan

It is critical that we measure at the **second-tier level** on our large construction projects

- Pilot project with bonding and technical assistance (BTA) agent designed to penetrate the second tier subcontractors
- Pilot project to require subcontracting plans and good faith compliance for large first-tier subcontractors
- HUB Program staff expanded from 1 person to 5. Staff assigned specific construction markets and will be working with prime contractors and large first-tier subcontractors to identify opportunities for HUB special trade firms.
- An extensive ongoing program to identify capable minority special trade firms in all markets and to sponsor/participate in market-based outreach programs.



1999-2005 Expenditures





Mentor-Protégé Program

- The objective of the voluntary Mentor-Protégé Program is to provide professional guidance and support to the protégé to facilitate its development and growth for increased business capacity.
- A mentor firm must meet specific mentor eligibility criteria
 - *Be willing to provide developmental guidance*
 - *Show successful work experience with The University of Texas System*
 - *Identify individuals in their firm to assist the protégé*
- A protégé firm must meet specific eligibility criteria
 - *Be willing to become HUB certified*
 - *Show one year operational business history*
 - *Be willing to accept guidance of mentoring firm*
- Mentor-Protégé relationship has duration of at least two (2) years



Mentor-Protégé Program

- U. T. System Mentor-Protégé Program implemented in March 2001 and has had 18 mentor-protégé teams since implementation
- 8 teams have graduated from the program and 10 teams are currently active
- Professional Services FY 2004 Accomplishments
 - *3 contracts negotiated for a total of \$255,000*
 - *2 Indefinite Quantity (IDQ) contract awards pending negotiated services*
 - *3 contracts pending negotiations*
- Construction Services FY 2004 Accomplishments
 - *9 contracts awarded*
 - *Total dollar value of \$9,177,991*
 - *1 IDQ contract award pending contracted services*



Mentor-Protégé Program Teams

Mentor

Hensel-Phelps

- *Nationally known General Contractor*
- *Substantial successful experience on U. T. System Projects*
- *Corporate commitment to Bonding and Technical Assistance Program*

Haynes Whaley

- *Structural Engineering firm*
- *Engineer on numerous U. T. System Projects*
- *Offices in Washington, DC, Houston, and Austin*

Protégé

Haynes-Eaglin-Waters

- *Austin-based HUB-certified Contractor*
- *Business focus is Doors, Frames, and Hardware*
- *Has received \$5.1M in contracts on U. T. System Projects through relationship*

Structures

- *Austin-based HUB-certified Structural Engineer*
- *Created a unique HUB firm as Structures/Haynes Whaley J.V.*
- *Resulted in 7 contracts to date, with 7 contracts pending with various agencies, including U. T. System*

3. U. T. Austin: Child Care Facility - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding sources; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*

Status: *Approved*

Motion: *Moved by Vice-Chairman Hunt, seconded by Vice-Chairman Clements, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Child Care Facility project at The University of Texas at Austin as follows:

Project Number: 102-196

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: June 2006

Total Project Cost:	<u>Sources</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$2,850,000	\$3,000,000
	Interest on Local Funds		\$ 325,000
	Auxiliary Enterprises Balances		\$ 55,000
	Unexpended Plant Funds		<u>\$ 15,000</u>
			\$3,395,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost;
- b. revise the funding sources;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;
- e. appropriate funds and authorize expenditure of funds; and

- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - 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; and
 - 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.

BACKGROUND INFORMATION

Debt Service

The \$3,000,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$217,947. Debt service coverage on the project is expected to be at least 1.31 times.

Previous Board Action

On February 4, 2004, the project was included in the CIP with a preliminary project cost of \$2,850,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The proposed facility of 15,000 gross square feet will allow U. T. Austin to provide child-care services for 200 children. Currently, 60 children are enrolled at the existing student child-care center in Wooldridge Hall. The proposed new center will add 140 child-care spaces to be available to the campus community. The project will provide space for classrooms, indoor activities, administrative offices, and other support space. In addition, the project will include 10,000 gross square feet for an exterior playground. The increase in the total project cost supports the programming for the project to provide a cost effective space and future needed expansion.

The Child Care Center, which serves employees and faculty, has a waiting list of 350 children, more than half of whom are infants.

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

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

Discussion at meeting:

Mr. Sanders said the Child Care Facility will be located east of IH 35 on Manor Road and will house about 200 children of faculty and staff of U. T. Austin. He said there will be outdoor play areas that will be screened in and fenced off and will be residential in character. Mr. Sanders noted the material will be in keeping with what is used on the U. T. Austin campus, such as the brick, stucco, and terracotta-colored metal roofing. He said the economic impact is about a \$3.4 million project; fairly modest but still has a significant monetary impact.

4. U. T. Austin: Jack S. Blanton Museum of Art - Phase I and II: Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; revise the total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction*

Status: *Approved*

Motion: *Moved by Vice-Chairman Clements, seconded by Vice-Chairman Hunt, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the recommendations for the Jack S. Blanton Museum of Art - Phase I and Phase II projects at The University of Texas at Austin as follows:

Project Number: 102-965 (Phase I) and 102-162 (Phase II)

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: June 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
Phase I	Revenue Financing System Bond Proceeds	\$26,500,000
	Gifts	<u>\$32,000,000</u>
		\$58,500,000
Phase II	Gifts	<u>Current</u>
		\$25,000,000
Revised Total Project Cost:	Revenue Financing System Bond Proceeds	<u>Proposed</u>
	Gifts	\$26,500,000
	Interest on Local Funds	\$52,200,000
		<u>\$ 4,800,000</u>
		\$83,500,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Jack S. Blanton Museum of Art - Phase I and Phase II projects;
- b. revise the total project cost;
- c. revise the funding sources; and
- d. appropriate funds and authorize expenditure of \$20,200,000 from Gifts and \$4,800,000 from Interest on Local Funds.

BACKGROUND INFORMATION

Previous Board Actions

Phase I: On August 1, 1995, the project was included in the CIP with a preliminary project cost of \$27,000,000 with funding from Gifts and Grants. On November 11, 1999, the Board approved the increase in preliminary project cost to \$58,500,000 with funding from Gifts and Grants. On February 14, 2002, the Board approved design development plans with a preliminary project cost of \$58,500,000 with funding from Gifts and Grants. On May 9, 2002, the Board approved revising the source of funding to \$32,000,000 from Gifts and Grants and \$26,500,000 from Designated Tuition. On November 13, 2002, the Board approved revising the source of funding to \$32,000,000 from Gifts and Grants and \$26,500,000 from Revenue Financing System Bond Proceeds.

Phase II: On February 13, 2003, the project was included in the CIP with a preliminary project cost of \$25,000,000 with funding from Gifts and Grants.

Project Description

The Phase I project will construct a new 108,500 gross square foot building to house the art museum and provide exhibition space for permanent as well as traveling exhibits. Also included will be space for the curation of the collection, storage space, administrative offices, and other support space. The Phase II project will provide approximately 50,000 gross square feet for facilities to complement the Phase I gallery space. Facilities in Phase II include educational space, a bookstore, a café, and administrative office space.

Discussion at meeting:

Mr. Sanders reported the Blanton Museum is under construction and will be finished in approximately one year. The purpose of this item is to obtain formal approval on Phase II, which was originally master planned but not formally approved by the Board. Phase II will house administrative functions and will have a bookstore, a cafeteria, an auditorium, and assembly space. The plaza is undergoing work, including landscaping. The institution is undergoing an aggressive gift campaign.

5. **U. T. Medical Branch - Galveston: National Biocontainment Laboratory - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to decrease the total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; and Mr. Ray Beets, Perkins & Will/B2HK Architecture (in attendance but did not present)

Status: Approved

Motion: Moved by Vice-Chairman Hunt, seconded by Regent Caven, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Stobo that the U. T. Board of Regents approve the recommendations for the National Biocontainment Laboratory project at The University of Texas Medical Branch at Galveston as follows:

Project Number: 601-164

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals (*corrected to Construction Manager at Risk*)

Substantial Completion Date: May 2008

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 40,000,000	\$ 40,000,000
	Gifts	\$ 20,000,000	\$ 17,000,000
	Grants	<u>\$120,000,000</u>	<u>\$110,000,000</u>
		\$180,000,000	\$167,000,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to decrease the total project cost;
- b. approve design development plans;
- c. approve the evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - 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; and
 - U. T. Medical Branch - Galveston, 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 \$40,000,000.

BACKGROUND INFORMATION

Debt Service

The \$40,000,000 in Revenue Financing System debt will be repaid from indirect cost recoveries. Total annual debt service on the project is estimated at \$2,752,215. Debt service coverage on the project is expected to be at least 1.3 times.

Previous Board Action

On January 7, 2003, the project was included in the CIP with a preliminary project cost of \$180,000,000 with funding of \$40,000,000 from Revenue Financing System Bond Proceeds, \$20,000,000 from Gifts, and \$120,000,000 from Grants.

Project Description

The project consists of approximately 180,000 gross square feet to contain a new seven-story, state-of-the-art biocontainment facility complex, including BSL-4, BSL-3 and BSL-2 laboratory space as well as associated animal facilities and research support space. The facility will allow for research on any number of known infectious diseases as well as emerging and new diseases in the future.

U. T. Medical Branch - Galveston retains and continues to recruit internationally recognized researchers to the strong infectious disease research program the campus has developed. To support the continuing efforts of this group and to provide the necessary facilities in support of the emerging federal program on bioterrorists' pathogens research, U. T. Medical Branch - Galveston has completed the first BSL-4 facility on campus and proposes construction of this new facility.

The National Biocontainment Laboratory is a national initiative providing the opportunity for the institution to build on its unique strengths and to establish itself as the premier site for infectious disease research as well as to support national defense. With the completion of design development, the project budget has been finalized at \$167,000,000, a decrease from the original estimate of \$180,000,000.

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

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

Discussion at meeting:

Mr. Sanders said this is the final approval for the Galveston National Lab, probably the most unique and complex project the U. T. System has ever undertaken. He said he wanted to let the Board know just how unique the qualities of this project were.

A little over a year ago, U. T. Medical Branch - Galveston received a federal grant of about \$110 million to create one of two biocontainment facilities, primarily to research pathogens that could possibly be used in terrorist attacks. It is going to be

one of the most complex and sophisticated projects. Mr. Sanders said President Stobo and Dr. Lemon, Director of the facility, could not be present because they are in Galveston for an important public presentation on drafting the environmental impact statement.

Mr. Sanders explained this will be a secured building with the goal to keep pathogens in and unauthorized people out since researchers will be building pathogens that there is no treatment for. There will be redundant and robust systems and 200 feet is the stand-off distance, whereby no vehicles will be allowed to approach the building unless they are U. T. Medical Branch - Galveston vehicles. There will be decorative concrete boxes to prevent any vehicle from entering, and the campus look will be maintained. There will be a large, secure perimeter to specifically prevent any explosive device from being near the building. There will be subtle but important safety features such as raised planter areas, low vegetation, a "free zone" for security cameras to monitor so that people will not get close to the building. The ground floor will be glass resistant, and the building will be built to not collapse in on itself in the event of a catastrophic event. There will be a single point of entry and each person will require a badge access and will go through an airplane-level security screening of any personal items before they can go into the building.

Throughout the building there will be various levels of security such as biometrics, palm, finger, or redness scans, and card readers to ensure people going into the labs are who they are supposed to be. There will be pressure differentials to ensure contaminated air is not lost in the event of an accident. Researchers will be required to suit up, there will be an air support system; lab work will always been done under special hoods. There will be rooms within rooms, elaborate protocols, and extensive training to safeguard occupants in the building and the doors used will be pressure bio-seal doors. He said that the effluent treatment was below because waste from the lab has to be cooked to a certain temperature for a certain duration before it can be put into the wastewater treatment flow.

Regent Barnhill said he visited Galveston and understood some of the people in the community were wondering why Galveston was picked for this type of facility, referencing the danger with the potential of hurricanes. He also mentioned that it was said that this would possibly be the safest building to be in if there was a hurricane due to the submarine doors and the stability of the building. He said the \$167 million project will have a major economic impact in the community.

Chairman Huffines asked if the federal government gave U. T. System the \$120 million and Mr. Sanders confirmed that it was \$110 million.

Chairman Huffines asked if this is a one-time grant or if it would be phased in during construction and Mr. Sanders responded the grant would be phased in during construction over a five-year time period.

6. **U. T. Southwestern Medical Center - Dallas: Ambulatory Surgical Center - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; and Mr. Mike Shirley, FKP Architects

Status: Approved

Motion: Moved by Vice-Chairman Clements, seconded by Regent Caven, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents approve the recommendations for the Ambulatory Surgical Center project for The University of Texas Southwestern Medical Center at Dallas as follows:

Project Number: 303-194

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$62,400,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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; and
- 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 \$62,400,000.

BACKGROUND INFORMATION

Debt Service

The \$62,400,000 in Revenue Financing System debt will be repaid from net revenues generated by the project. Total annual debt service on the project is estimated at \$5,098,376. Debt service coverage on the project is expected to be at least 1.18 times and average 1.52 times over the first six years of operation.

Previous Board Actions

On December 19, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$62,400,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The proposed Ambulatory Surgical Center project consists of an approximately 230,000 gross square foot, seven-story building and a 625-car parking garage. The building will initially include finished space totaling approximately 130,000 gross square feet. *(The figure of 30,000 GSF was incorrect in the Agenda Book.)*

The Ambulatory Surgical Center will include ambulatory surgical and procedure suites, diagnostic and treatment rooms including imaging, clinics, and physician offices. The building will be located on the west side of St. Paul University Hospital adjacent to Medical Center Drive, in conformance with the current Campus Master Plan.

This is the first project to move forward as part of the work envisioned in the Clinical Services Building that is currently on the Future Projects list at \$146,000,000. Working with the faculty and hospital partners, the immediate need has been identified to provide new space to conduct outpatient surgery. Presently, these procedures, including orthopedics, plastics, and gastrointestinal day procedures, are conducted primarily in the hospitals. With limited operating rooms, the work naturally competes for space causing delays in conducting the less acute

procedures. This space limitation negatively impacts the practice, hospital operations, and patient satisfaction, a key goal of the patient service initiative.

The conclusion of the combined hospital and practice management team, along with both university and private physicians, is that this new facility is vital to the combined operations.

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

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

Discussion at meeting:

Mr. Sanders said this is the research campus on Harry Hines Boulevard that has been under construction for the last few years. The ground floor will have a lobby entry, imaging, platform, plaza, and support spaces and above will have academic offices. A substantial portion will be shelled out. He said this will be a day surgical suite.

Chairman Huffines asked how many suites and hotel rooms would the extended stay suites have and who will be managing it, and Mr. Mike Shirley, FKP Architects, said this is going to be a maximum of 23-hour admits after day-surgery so it is part of the treatment facility. He explained it might be an overnight facility and be run as part of the clinic.

Chairman Huffines said he thought it was going to be more like a semi-hotel and Mr. Shirley responded the bed count had not been established.

7. U. T. Health Science Center - Houston: Replacement Research Facility - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

Presenter(s): Mr. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; and Mr. David Lake, Lake/Flato Design Architects (in attendance but did not present)

Status: Approved

Motion: Moved by Regent Caven, seconded by Vice-Chairman Hunt, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Willerson that the U. T. Board of Regents approve the recommendations for the Replacement Research Facility project at The University of Texas Health Science Center at Houston as follows:

Project Number: 701-160

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds	\$23,600,000
	Gifts	\$ 9,330,000
	Insurance Claims	\$16,600,000
	Grants	<u>\$ 6,000,000</u>
		\$55,530,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - 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; and
 - U. T. Health Science Center - Houston, 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 \$23,600,000.

BACKGROUND INFORMATION

Debt Service

Annual debt service on the \$23,600,000 of Tuition Revenue Bonds is projected to be \$2,057,556. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

Previous Board Actions

- Medical School Building - Rooftop Vivarium and Exterior Elevator:

On November 13, 2002, the Vivarium project was added to the Capital Improvement Program (CIP) with a preliminary project cost of \$38,000,000 with funding from Insurance Proceeds. On August 7, 2003, the Board approved appropriation of \$7,300,000 from Tuition Revenue Bond Proceeds for the Vivarium project.
- Basic Science Research Building (formerly Freeman Replacement Building):

On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$80,000,000.

On August 12, 2004, the projects were combined and the preliminary project cost and funding were revised to a preliminary project cost of \$55,530,000 with funding of \$23,600,000 from Tuition Revenue Bond Proceeds, \$9,330,000 from Gifts, \$16,600,000 from Insurance Claims, and \$6,000,000 from Grants.

Project Description

The Replacement Research Facility project is the first phase of the Institute of Molecular Medicine and will be a six-story building consisting of 208,000 gross square feet of laboratory and vivarium space. The Research Expansion Project will be Phase II of the Institute of Molecular Medicine. This building will replace the existing two-story John Freeman Building. In addition to highly flexible biotechnology laboratory and animal facilities, the building will house office space, mechanical rooms, and other support space.

The vivarium will occupy the top two floors with the bottom four floors being laboratory floors. There will be a dedicated loading dock for support of the vivarium facility and a mechanical penthouse.

The 78th Session of the Texas Legislature authorized \$64,900,000 of tuition revenue bonds to be issued for U. T. Health Science Center - Houston to be issued for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,600,000 is being allocated to the Replacement Research Facility

project. The use of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

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

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

8. U. T. San Antonio: Student Housing Expansion, Phase II - Request for approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

Committee Meeting Information

Presenter(s): *Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; and Mr. Chris Barnes, BOKA Powell Architects (in attendance but did not present)*

Status: *Approved*

Motion: *Moved by Regent Caven, seconded by Vice-Chairman Hunt, and carried unanimously*

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendations for the Student Housing Expansion, Phase II project at The University of Texas at San Antonio as follows:

Project Number: 401-211

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$27,000,000

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;

- c. appropriate funds and authorize expenditure of funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - 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; and
 - U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$27,000,000.

BACKGROUND INFORMATION

Debt Service

The \$27,000,000 in Revenue Financing System debt will be repaid from overall housing system revenues. Total annual debt service on the project is estimated at \$1,857,746. Debt service coverage on the project is expected to be at least 1.3 times.

Previous Board Actions

On August 7, 2003, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$20,500,000 with funding from Revenue Financing System Bond Proceeds. On August 12, 2004, the total project cost was increased to \$27,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The Student Housing Expansion, Phase II project at U. T. San Antonio will consist of apartment style residences, with 700 beds. The facility will be designed to incorporate shared living spaces, meeting rooms, lounges, and study rooms.

U. T. San Antonio is expanding its student housing. The Student Housing Phase I project will provide housing for approximately 1,000 students with scheduled occupancy for the Fall Semester 2004. The waiting list currently stands at

500 students. The Student Housing Phase II project is scheduled for occupancy for the Fall Semester 2006 providing housing for 700 students. A future Phase III project is anticipated for Fall Semester 2007 adding an additional 1,200 beds. With future growth, the plan for the campus is to house 6,000 students.

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

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

Discussion at meeting:

Mr. Sanders said U. T. System will be moving quickly on this project, using the same design as Phase I, and the same aesthetics such as a limestone ground floor and a stucco and terracotta asphalt composition roof. The idea is to have the look and feel of a dorm and a residential community life feel to it.

Regent Caven said the parking looked small for 700-800 rooms and President Romo said there are plans for additional parking. He said a new committee to be chaired by Mr. Kerry Kennedy, Vice President for Business Affairs at The University of Texas at San Antonio, will review other possibilities for parking. He said they have a balance of spaces that will open in September 2005.

9. **U. T. San Antonio: Thermal Energy Plant No. 2 - Amendment of the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding source; approval for design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

Committee Meeting Information

Presenter(s): Mr. Sidney J. Sanders, Assistant Vice Chancellor, Facilities Planning and Construction; and Mr. Jerry D. Smith, P.E., Shah Smith & Associates (in attendance but did not present)

Status: Approved

Motion: Moved by Vice-Chairman Clements, seconded by Regent Caven, and carried unanimously

Agenda Item:

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the recommendations for the Thermal Energy Plant No. 2 project at The University of Texas at San Antonio as follows:

Project Number: 401-177

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Designated Tuition	\$8,000,000	
	Revenue Financing System Bond Proceeds		\$16,500,000

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost;
- b. revise the funding source;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;
- e. appropriate funds and authorize expenditure of funds; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - 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; and
 - U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$16,500,000.

BACKGROUND INFORMATION

Debt Service

The \$16,500,000 in Revenue Financing System debt will be repaid from designated tuition. Total annual debt service on the project is estimated at \$1,135,289. Overall debt service coverage at U. T. San Antonio is projected to exceed 1.69 times.

Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$8,000,000 with funding from Designated Tuition.

Project Description

This new thermal energy plant will contain approximately 15,000 gross square feet and will provide chilled water, steam and emergency power for upcoming campus projects on the UTSA 1604 Campus. In accordance with the master plan update, the new thermal energy plant will be located on the south side of campus and will support the following new projects: University Center Expansion, Phase III; Biotechnology, Sciences and Engineering, Phase II; and the Recreation/Wellness Center, Phase II. The thermal energy plant will be connected to the existing campus utilities loop, and will be designed for future expansion.

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

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

Discussion at meeting:

Mr. Sanders said U. T. San Antonio has a single thermal plant that delivers centralized chilled water, steam, and hot water, but there is a need to expand the existing plant. He stated that essentially this is a simple building, with expansion capability. The total project cost is increasing partially because when this was originally put on the CIP, it was a distant thumbnail estimate. Infrastructure upgrades have been identified and the location is prime for a parking garage. This is designed so that a parking garage can be built around it. The building has no roof expression, because they are trying to keep the building simple so a parking garage can be built around it in the near future.

ADJOURNMENT

Committee Chairman Barnhill announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 4:50 p.m.



THE UNIVERSITY OF TEXAS SYSTEM

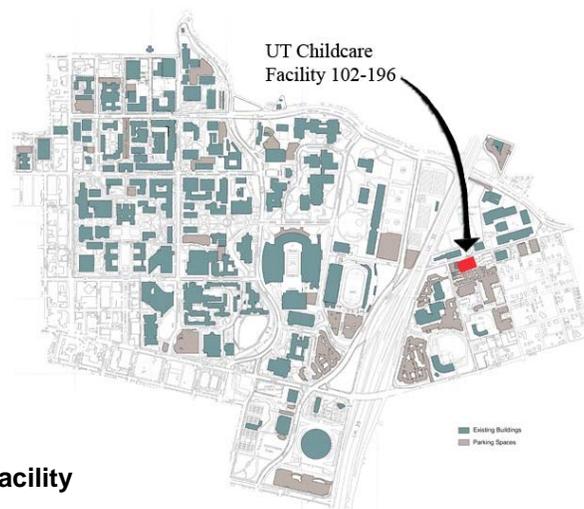
Design Approvals

November 4, 2004

Office of Facilities Planning and Construction

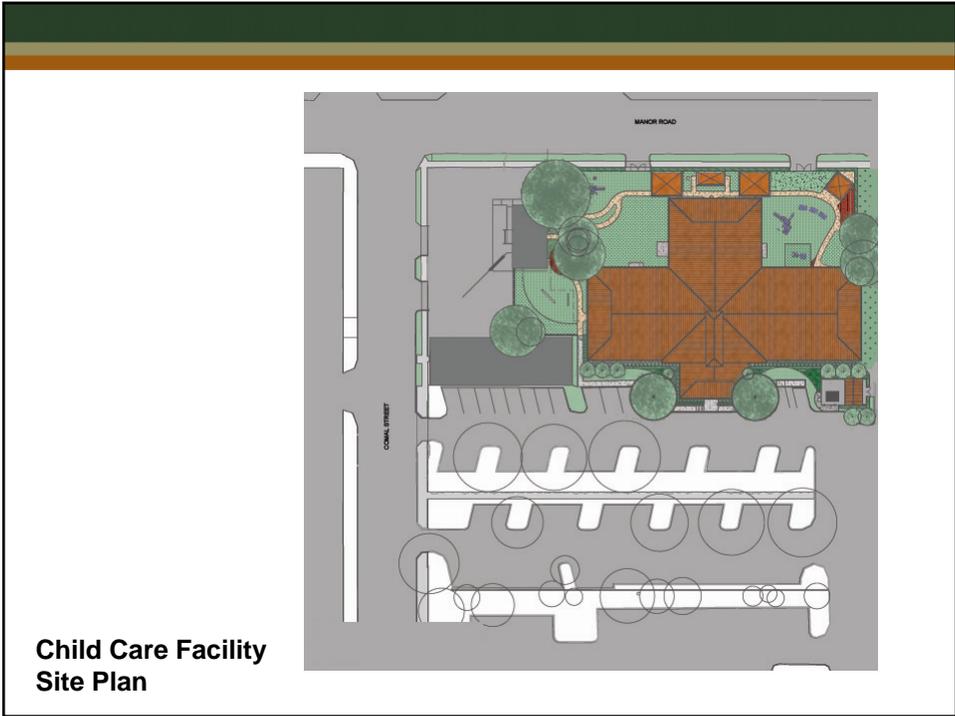


U. T. Austin—Child Care Facility



**Child Care Facility
Master Plan**

2



Estimated Economic Impact

Total project cost: \$ 3,395,000

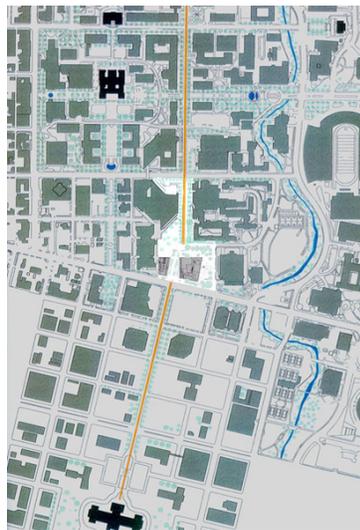
- Construction economic impact \$ 11,000,000
- 10-year earnings economic impact \$ 15,000,000

Total estimated economic impact \$ **26,000,000**

The University of Texas at Austin
Child Care Facility

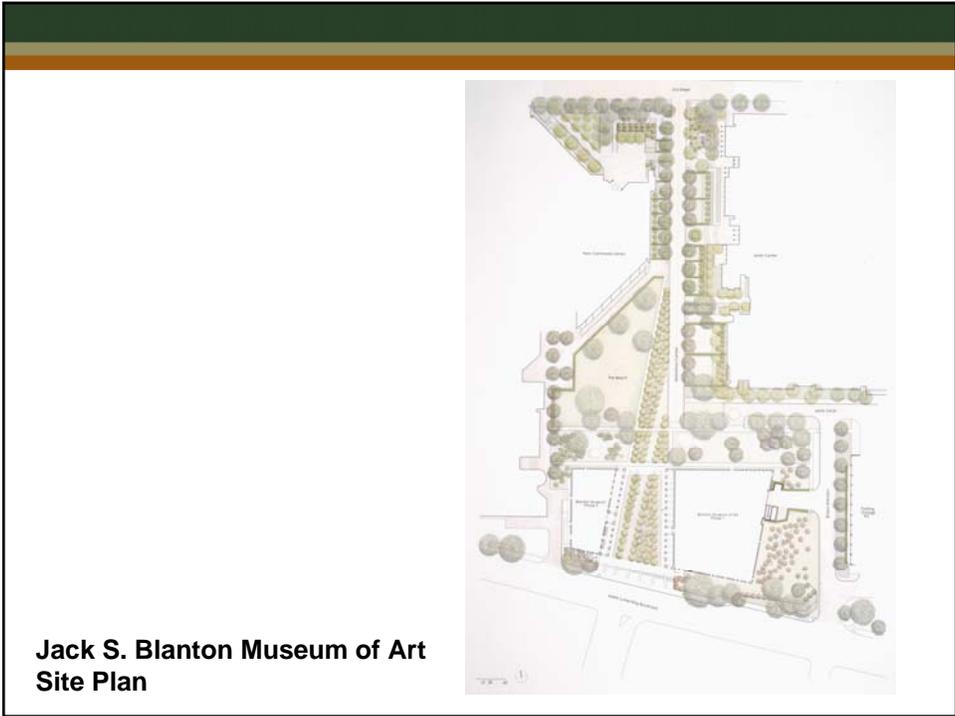


U. T. Austin Jack S. Blanton Museum of Art

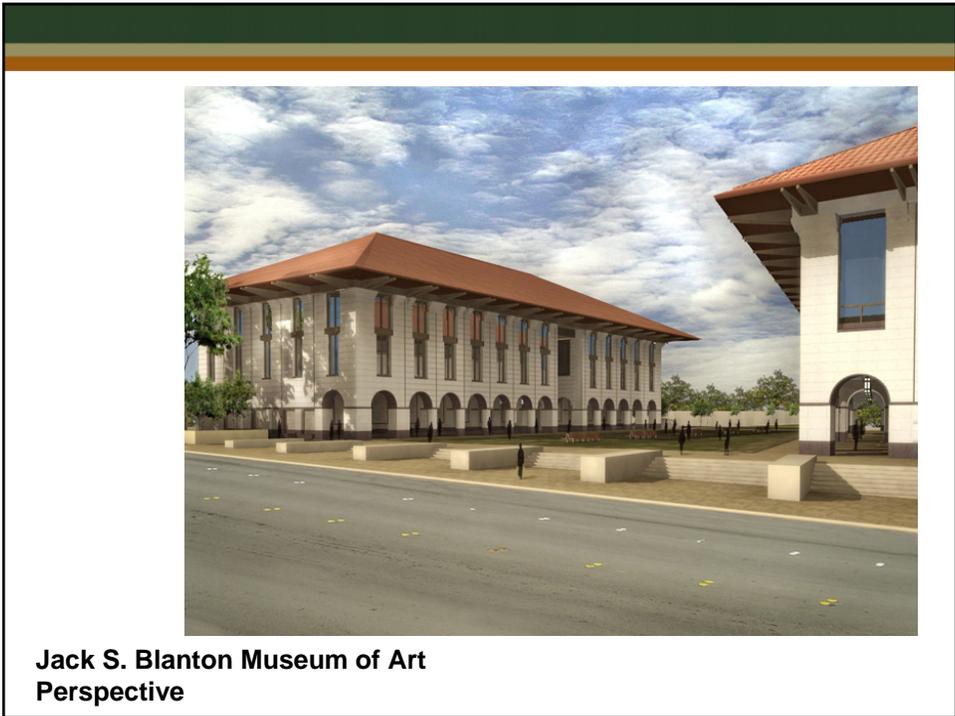


Jack S. Blanton Museum of Art
Master Plan

6



**Jack S. Blanton Museum of Art
Site Plan**

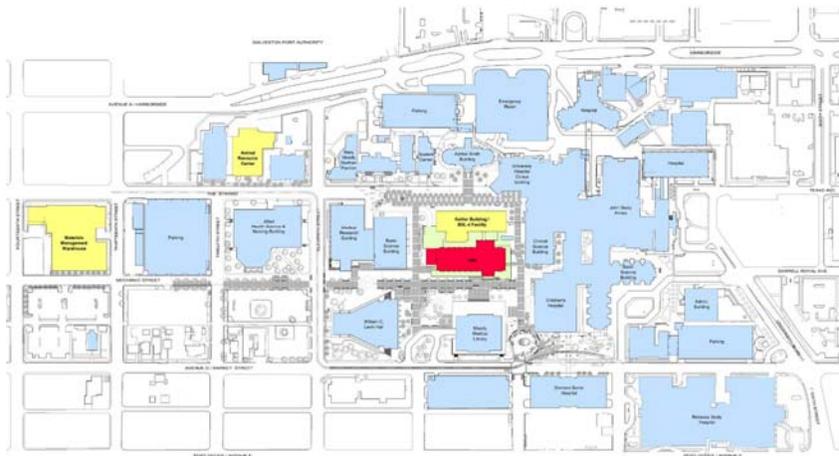


**Jack S. Blanton Museum of Art
Perspective**

Galveston National Laboratory

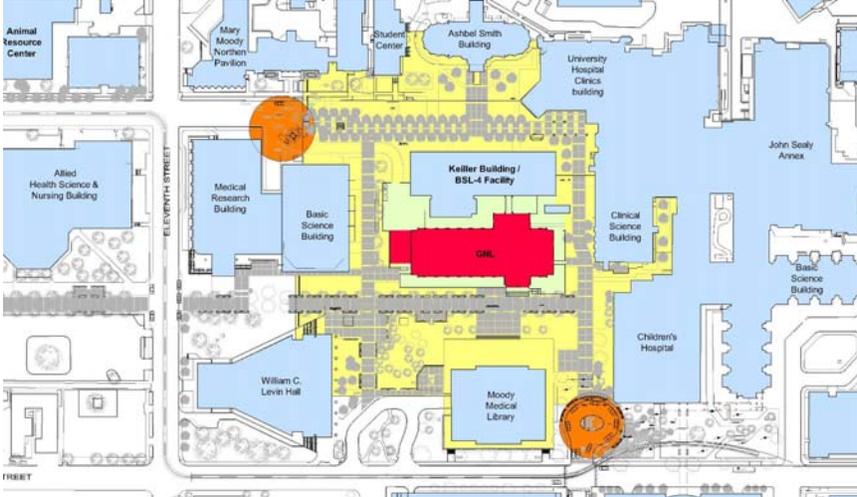


UTMB Campus Plan



22

GNL Site Plan



23

View from Student Center



24

View from Commons



25

View at Entrance from Commons



26

First Floor Plan

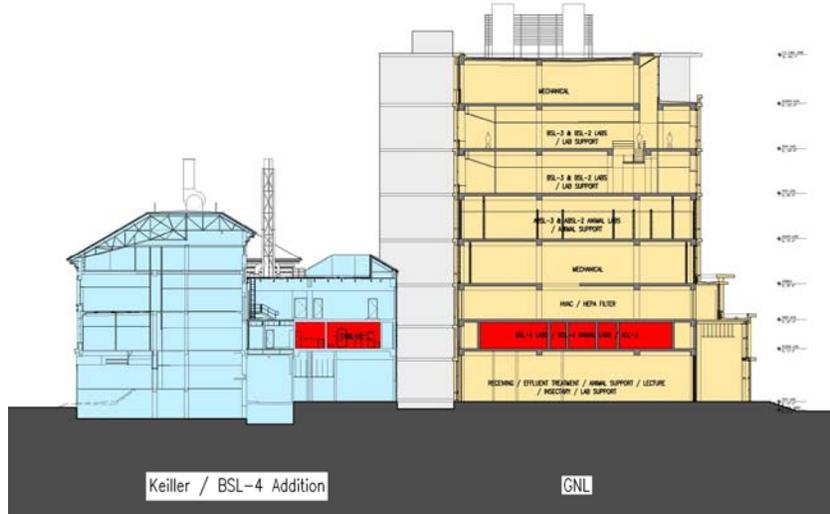


Security



28

Building Section

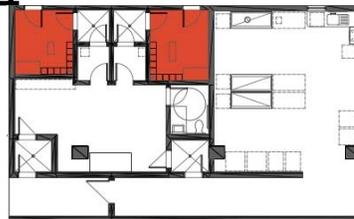


29

Change Room



BSL-4

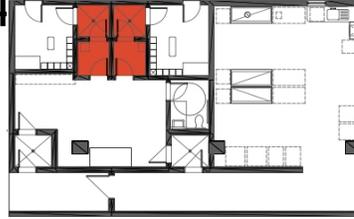


30

Air-Lock



BSL-4

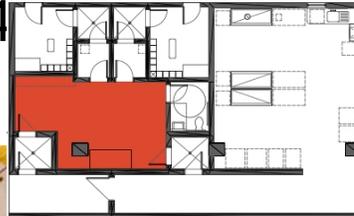


31

Suit Change Room



BSL-4

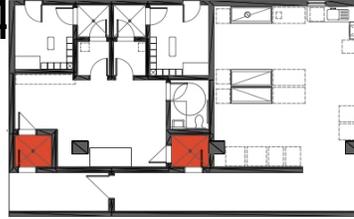


32

Air Lock



BSL-4

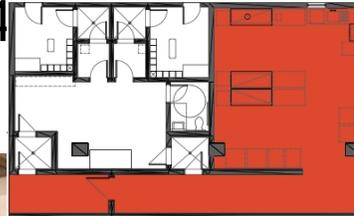


33

BSL-4 Lab

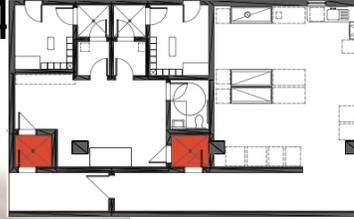


BSL-4



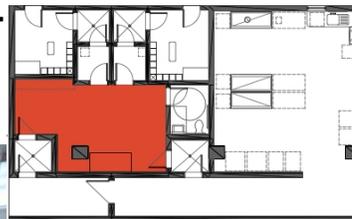
34

BSL-4 Chemical Shower



35

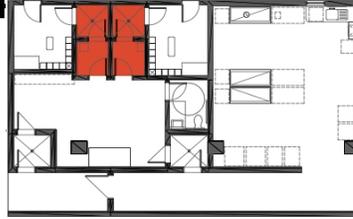
BSL-4 Suit Change Room



36

Body Shower

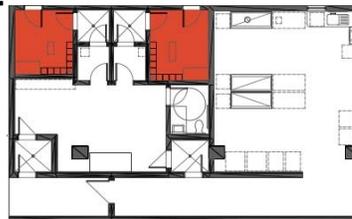
BSL-4



37

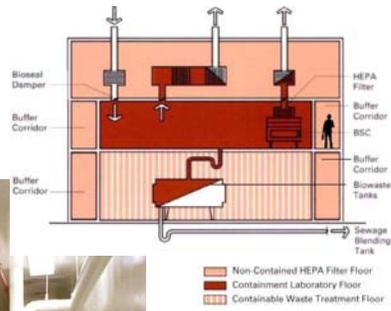
Change Room

BSL-4



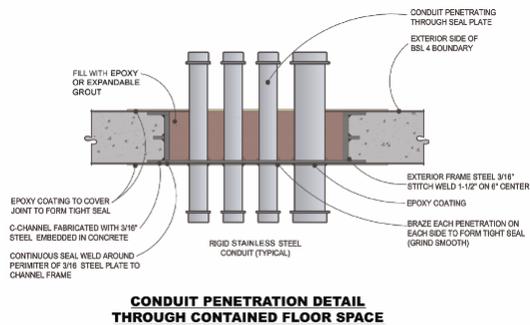
38

Box-In-Box



39

Utility Penetrations



40

Bio-Seal Doors



41

Air Filtering



42

Effluent Treatment



43

Estimated Economic Impact

Total project cost: \$ 167,000,000

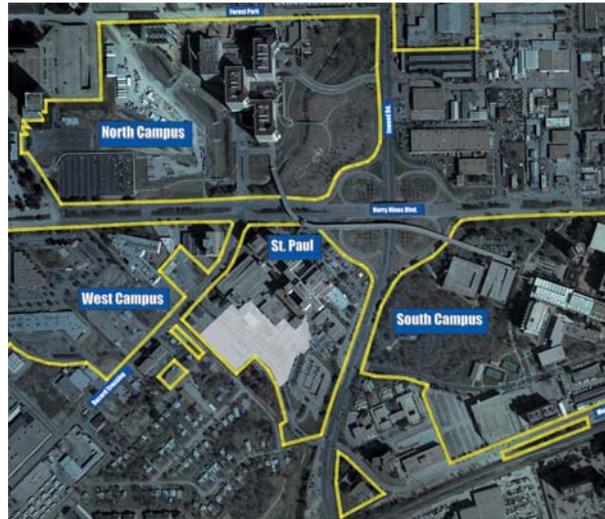
- **Construction economic impact** **\$ 549,000,000**
- **10-year earnings economic impact** **\$ 463,000,000**

Total estimated economic impact \$ 1,012,000,000

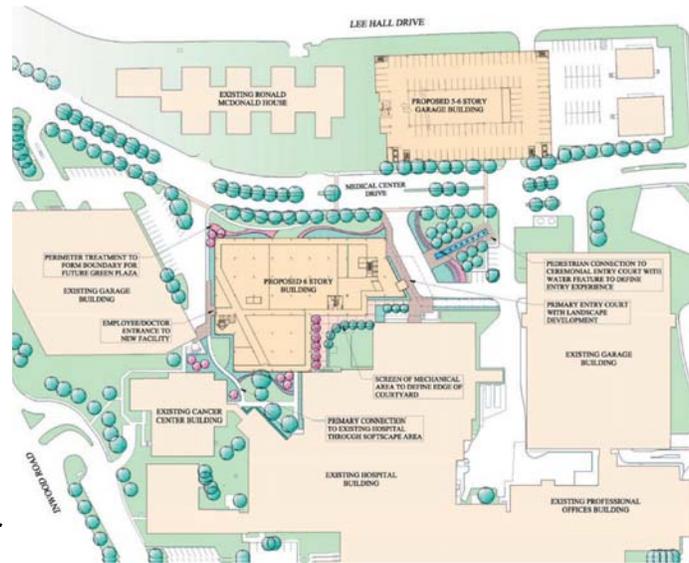
The University of Texas Medical Branch – Galveston
National Biocontainment Laboratory



U. T. Southwestern Medical Center – Dallas Ambulatory Surgical Center



**Ambulatory
Surgical Center
Master Plan**



**Ambulatory
Surgical Center
Site Plan**



**Ambulatory Surgical Center
Perspective—Entry View**



**Ambulatory Surgical Center
Perspective—View from West Tower**

Estimated Economic Impact

Total project cost: \$ 62,400,000

- Construction economic impact \$ 205,000,000
- 10-year earnings economic impact \$ 236,000,000

Total estimated economic impact \$ **441,000,000**

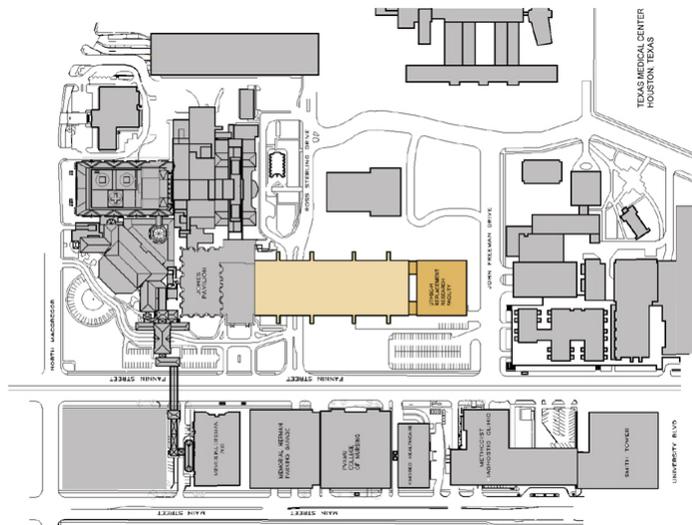
The University of Texas Southwestern Medical Center – Dallas
Ambulatory Surgical Center



U. T. Health Science Center – Houston Replacement Research Facility

Replacement
Research
Facility
Master Plan





**Replacement Research Facility
Site Plan**



**Replacement Research Facility
Perspective**



**Replacement Research Facility
Perspective**

Estimated Economic Impact

Total project cost: \$ 55,530,000

- **Construction economic impact** **\$ 183,000,000**
- **10-year earnings economic impact** **\$ 510,000,000**

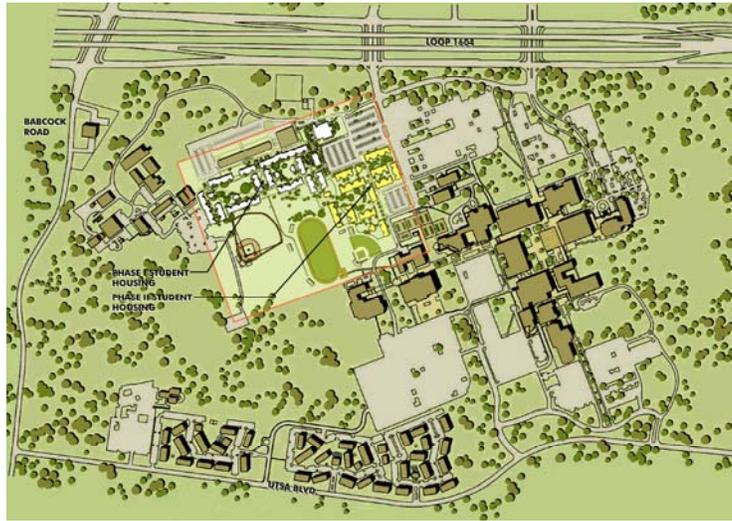
Total estimated economic impact \$ 693,000,000

The University of Texas Health Science Center – Houston
Replacement Research Facility



U. T. San Antonio—Student Housing Expansion, Phase 2

Student Housing Expansion Master Plan



Student Housing Expansion Site Plan





**Student Housing Expansion
Perspective**



**Student Housing Expansion
Perspective**



**Student
Housing
Expansion
Perspective**

Estimated Economic Impact

Total project cost: \$ 27,000,000

- **Construction economic impact** **\$ 89,000,000**
- **10-year earnings economic impact** **\$ 69,000,000**

Total estimated economic impact \$ 158,000,000

The University of Texas at San Antonio
Student Housing Expansion, Phase 2



U. T. San Antonio—Thermal Energy Plant No. 2



**Thermal Energy Plant No. 2
Master Plan**

61



**Thermal Energy Plant No. 2
Site Plan**



Estimated Economic Impact

Total project cost: \$ 16,500,000

- Construction economic impact \$ 54,000,000
- 10-year earnings economic impact \$ 18,000,000

Total estimated economic impact \$ 72,000,000

The University of Texas at San Antonio
Thermal Energy Plant No. 2



THE UNIVERSITY OF TEXAS SYSTEM

Questions?

Thank You

MINUTES
U. T. Board of Regents
Student, Faculty, and Staff Campus Life Committee
November 5, 2004

The members of the Student, Faculty, and Staff Campus Life Committee of the Board of Regents of The University of Texas System convened at 8:10 a.m. on Friday, November 5, 2004, on the 9th Floor of Ashbel Smith Hall, The University of Texas at System, 201 West Seventh Street, Austin, Texas, with the following members of the committee in attendance:

Attendance

Committee Chairman Craven
Vice-Chairman Clements
Vice-Chairman Hunt
Regent Barnhill
Regent Estrada

Also present were Chairman Huffines (arrived at 8:45 a.m.); Regent Caven; Regent Rowling; Ms. Sandee Goertzen, Chair, Employee Advisory Council; Dr. James Bartlett, Chair, Faculty Advisory Council; Mr. Josh Warren, Chair, Student Advisory Council; and Counsel and Secretary Frederick.

Committee Chairman Craven welcomed Representative Geanie Morrison, Chair of the House Committee on Higher Education, and Mr. Warren Von Eschenbach, Legislative Aide for Senator Zaffirini, Vice Chair of the Senate Finance Committee.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Craven called the meeting to order.

U. T. System: Recruitment, Retention, and Promotion of Women and Underrepresented Groups

Committee Meeting Information

Presenter(s): Institutional presidents

Status: Discussed

Future Actions: Vice-Chairman Krier asked for inventory of mentoring programs that reach into the public schools and encourage students to enter academic medicine. The report might be shared with the Legislature.

Agenda Item:

PURPOSE

A discussion will be held to encourage dialogue between the presidents and members of the Student, Faculty, and Staff Campus Life Committee about

successful programs related to the recruitment, retention, and promotion of women and underrepresented groups in faculty and senior staff positions.

KEY POINTS/POLICY ISSUES

The Student, Faculty, and Staff Campus Life Committee will focus on successful programs related to the recruitment and retention of faculty, staff, and students including:

- a. Programmatic initiatives and any other strategies implemented on campus to enhance the recruitment, retention, and promotion of women and underrepresented groups in faculty and senior staff positions.
- b. Strategies employed on campus to foster an environment that values and actively supports an inclusive University community and ensure that each campus provides a positive, supportive, and welcoming environment for women and individuals from underrepresented communities.
- c. Examples of ideas initiated by the campus women and minority committees that have successfully integrated into institutional priorities.

Discussion at meeting:

Committee Chairman Craven called on each president to outline the progress and challenges on their campuses related to recruitment, retention, and promotion of women and underrepresented groups in faculty and senior staff positions.

President Faulkner introduced Dean Darlene Grant, Professor of Social Work and Associate Dean of the Graduate School at U. T. Austin, who chaired the Task Force on Racial Respect and Fairness. President Faulkner provided a brief history of the Task Force by saying that two years ago, U. T. Austin was in a period of substantial tension that arose from a number of incidents, including the egging of the Martin Luther King statue, a police incident involving an African-American leader, and instances of fraternity parties that happened during a quick period of two to three weeks. During the spring, several town meetings and other related events were held and he felt it was important to put together a mechanism to think about improvements. He assembled the Task Force on Racial Respect and Fairness and charged the Task Force with three issues:

1. *Look at procedures and training of the Police Department as it interacts with students.*
2. *Look at the face of the University; representation on TV, articles, etc.*

3. *What kind of leverage can be obtained on behavioral standards? He noted this was a tricky issue since many student organizations are not on campus but around campus.*

President Faulkner said he also gave the committee an open license to address other issues they thought relevant. The group, which was a mix of students, faculty, and staff, worked one year under the leadership of Dean Grant and issued a report in January 2004. President Faulkner provided a formal reaction in May 2004; a carefully considered document of what he proposed as the action items, and the institution has been following up on the issues. He said the report has to do with recruitment of students, faculty, and staff; development of faculty and staff; organizational and behavioral issues; public affairs and student affairs recommendations; and statutory issues.

Dean Grant said the process was a public process in which people were asked to develop immediate answers to problems that arose over a long time. She observed the report is broad due to different language and key issues arising when a group of people get together. She noted discussions were held with President Faulkner and alumni and candid talks were held with administrators, faculty, and students. Old reports were studied to provide legitimacy to historic concerns. Conversations were held with the former Dean of Students, the current Dean of Students, the Director of the Multicultural Information Center, and with Black Alumni of Dallas. She said the report is a consensus report -- all agree with everything in the report.

President Faulkner said the report contains approximately 70 recommendations and he chose to address those most central, including creation of a central facilitating officer such as a vice president or vice provost to keep an eye on how to develop a more diverse faculty. Close behind that is how to develop a more diverse graduate school population. He indicated there is not a good answer. He noted there are student recruitment issues as well but the admissions staff are tuned to those issues.

Dr. Faulkner identified the areas needing sharp focus as curriculum and faculty and student recruitment, all in a Provost's area. He believes someone paying attention to these details full time and who will continuously facilitate is needed and a national search for a Provost is underway. Dr. Faulkner said representatives from all vice presidential portfolios would be coordinated by the individual.

President Faulkner charged the Vice President for Public Affairs and the Vice President for Student Affairs to review certain issues and stated he reviewed the history of statutory. He also said he has committed financial resources to follow up on issues and for incentive programs.

A recommendation of the Task Force was to hold a national conference on issues related to progress and this was held in January. He said the conference was successful, with delegations from seven universities, and discussions were held

about building life experiences for students to build skills. He said he has urged, in an informal way, all students to think carefully about opportunities to understand the essence of different cultures and thus, to begin to work across the boundaries. He said some courses have been developed to address the issue but that he is not aware of how many students are taking these classes as a result. The Task Force did address including some of these courses in the core curriculum, an issue being addressed by the Commission of 125.

Dr. Faulkner said he created a police oversight committee, consisting of students, faculty, and staff. He said the committee successfully improved the channels of communication.

He said he feels progress has been made and pointed out there are frictions in this society but vitality depends on becoming better on managing these.

Dean Grant said good things began to happen as part of the Task Force process, with people looking at how business can be done differently. She said more students participated in setting up booths at various campus events and she said instituting the process of change and advertising change, such as making the Task Force report public, was progress. President Faulkner said the response was a public response and the process was transparent to let people know the seriousness of the issue.

Dr. James Bartlett asked how the provost/vice provost will interact physically and Dr. Faulkner responded he is interested in incentives that can be put into place to encourage taking a stronger look at minority candidates. He mentioned an incentive fund the provost administers used to bring minority scholars to campus, with the goal of increasing the visibility among faculty and students that strong minority scholars exist and are active, while at same time giving them a view of the University. He sees this as a climate-changing activity that promotes visibility in a global way and increases the likelihood that matches are going to happen. That is not an intervention in an individual search process but someone who is continuously placing before deans and department chairs the importance of getting a more representative faculty. He said the faculty is 40% minority, including 2.5% African-American and 2% Hispanic. He indicated the freshman class is 40% minority but that the University is a long way from what Texas is like, or what the student body is like. He said there is a sense of obligation to put the issues in front of people and to develop specific incentives.

President Cárdenas (U. T. Pan American) indicated there are models to add students to the graduate pool, such as the medical and biomedical programs with Baylor, U. T. Medical Branch – Galveston. She speculated these programs succeeded due to the commitment of medical faculty. She wondered if the model could be expanded to academic fields and President Faulkner agreed but cautioned that student interest in other fields needs to be heightened. He said people are interested in economics and careers coming out of the University but that a Ph.D. in English receives a cooler reception.

President Romo discussed the successful program U. T. San Antonio has with the U. T. Austin School of Law and said for him, pushing his students is like pushing his children.

President Watts mentioned an institutional improvement grant called the All But Dissertation (ABD) Scholars Program at U. T. Permian Basin wherein ABDs, usually Hispanic minorities, are invited to campus both as an opportunity to see the campus as a prospective student and to conduct seminars addressed at the student body, thus providing a way to see the benefit of attending graduate school.

President Mendelsohn said U. T. M. D. Anderson Cancer Center has a different perspective. With 14,000 employees, 1,000 of whom are faculty, and 3,000 trainees, all have to work together to focus around the patient, thus the institution encourages caring for each other as well as caring for the patients. He said the Office of Institutional Diversity is led by a vice president who sits on the management committee of eight people. The vice president defines diversity as all ways to be different from each other. He said the institution is increasing the number of people with diverse backgrounds in top administrative positions and that educational programs for staff and students and retreats to promote cultural respect and fairness to others are held.

President Cigarroa commended the Board of Regents for appointing leadership at the institutions who represent diversity since over the past several decades, there have not been many significant Hispanic administrative leaders. He said he was the first Hispanic president of a University in the continental United States. He said he has diversified the executive committee at U. T. Health Science Center – San Antonio and has used that committee to develop underrepresented faculty. Dr. Cigarroa mentioned important pipeline programs, such as the legacy of former Regent Mario Ramirez who mentors students beginning in high school. He spoke about the collaboration between medical and academic campuses and dual-degree programs to mentor and to engage students. He said leadership at the top, constant attention, and making an encouraging and welcoming environment can make a difference.

Mr. Richard S. Moore, Vice President for Business and Administration, sat in for Dr. Stobo and said the workforce at U. T. Medical Branch – Galveston mirrors the population the institution serves. He said the biggest challenge is to diversify faculty, administrative, and professional employee groups. Search committees have representation from the minority and women committees.

Chairman Huffines asked President Cigarroa how to encourage minority students to enter academic medical teaching and Dr. Cigarroa responded that faculty members need to be encouraged to mentor students.

President Jenifer (U. T. Dallas) spoke about the significant and historic progress of the Board of Regents in the area of diversity over the past 10 years since he was hired. He reminisced that the Board Meeting Room was filled with reporters,

demonstrators, and police when he, a Black, was selected president. He spoke about the high level of diversity in the staff and administration of U. T. Dallas, explaining that this sends out a tremendous message to new faculty where people believe there are opportunities. He summarized by saying the face of the University has changed in ways one does not recognize, and the measure of such progress is when people look at people, disregard ethnicity/skin color, and look at excellence. He said leadership is devoid of race and is about quality and ability.

Vice-Chairman Krier asked if mentoring is given specific weight when faculty are evaluated. President Cigarroa said it is a part of promotion and tenure at U. T. Health Science Center – San Antonio and he is always encouraging faculty to think about mentoring students. He said more students in high school who are interested in math and science will add to the applicant pool and he asked how can we get those individuals to go to graduate school or to apply to medical school and become interested in academic medicine? He said many of the underrepresented minorities are essentially first graduates and they are thinking of income potential and are not thinking necessarily of academic medicine as their first choice unless they are encouraged. He leads by example, maintaining an open door policy.

In discussing programs about how medical school faculty mentors elementary and high school teachers who teach math and science who in turn mentor students in public schools, Vice-Chairman Krier suggested that the various mentoring programs that reach into the public schools be collected and shared with legislators so that higher education can contribute to addressing those issues as well. Chairman Huffines said that was an excellent idea.

President Cigarroa said the Regional Academic Health Centers (RAHC) will be inspiring more children to enter the health professions as they see medical students in their environments.

President Natalicio said with respect to academic careers, many faculty reverse mentor. They communicate tremendous stress and difficult challenges of their work instead of modeling positive career opportunities. She said last night, a reception in Austin for the Mexican-American Engineers and Scientists Symposium offered an opportunity for U. T. El Paso students to meet alumni and to develop networks. She said many students are first generation and lack formal networks.

She spoke about the increased number of doctoral programs in science and engineering and efforts underway to get more students into the pipeline to pursue faculty positions. She spoke about U. T. El Paso's partnership with Howard University in Washington, D.C., to work on the minority pipeline by exchanging faculty and students. She said 25% of faculty at U. T. El Paso are Hispanic, which is a large number by comparison with other universities, and the student body is 80% Hispanic. Five of seven top managers are Hispanic. Dr. Natalicio said the major focus is to train members of search committees and department chairs on recruiting. Most universities do not do this well, she said, so U. T. El Paso is doing

a lot of training, infusing the process with expertise. She said there are 45 active faculty searches underway and the most important factor is to create the climate on campus that diversity does matter.

Dean Grant addressed the issue of assigning a weight in the tenure process to mentoring and she described the research internship program of the Office of Graduate Studies at U. T. Austin wherein successful faculty applicants receive a monetary award when their student interns are awarded a fellowship. She said faculty of color should not be the only mentor for students of color and the institution is encouraging more technical assistants of color.

President Spaniolo said 50 faculty were hired at U. T. Arlington this fall and he mentioned a new faculty entry program, developed by a faculty committee composed of women and minority faculty. There are 32 pairs of mentor/new faculty and unique to the program is the mentor is from outside the faculty's academic unit. The idea is to help younger faculty to succeed and identify with the University as a whole and is not necessarily designed specifically for underrepresented groups but if successful over time, will help to maintain a link and identity for minorities and long-term retention.

President Romo said the U. T. San Antonio Office of Institutional Diversity monitors restrictions. In the past year, minority faculty have been actively recruited and 20/69 new hires were minorities. He said minority tenured faculty in 2004-2005 is 36%, which is the best figure the institution has had.

Dr. Michael McKinney, sitting in for President Willerson, said diversity is discussed at various meetings at U. T. Health Science Center - Houston and is woven into the fabric of the institution. He gave the example of involving the Director of the Office of Diversity in each search process to provide expertise and continuity. He said there have been 36 faculty searches in the last eight months and 26 people hired were female. Of the 26 females, 15 were underrepresented minorities and of the 10 males, seven were underrepresented minorities.

President Mabry emphasized that diversity starts at the top and is important at U. T. Tyler. He discussed the recent hiring of minorities at U. T. Tyler and said improvements have been made in advertising for minority applicants. He mentioned www.highered.com, the Internet site that is a helpful resource and affects the applicant pool. He said he is aware of the salary side of the issue and related retention issues.

President Wildenthal said the efforts at U. T. Southwestern Medical Center – Dallas mirror the interracial and ethnic diversity approaches, successes, and failures heard for the other U. T. institutions. He said in the health institutions and in science broadly, 50% of the entering student body are women and 50% of graduates are women. There is a small trailing off in post-doctoral fellowships and in residencies, and certainly in academic medicine (those starting up the tenure rank) and in leadership positions. He commented that this statistic corresponds with ages

of 25-40; the age range of women having children. He said it is a special issue to find the best way to mentor and support women to achieve professional careers and to have families. He noted a successful program at U. T. Southwestern that brings together students, post-doctoral students, and junior and senior faculty women and empowers them by giving them a budget, secretarial support, and time to develop what they think is best to mentor students. The program does not require administrative approval and the result is that some mentoring programs and visiting professorship programs have changed the way in which the institution recruits, but it has also changed the culture of the University.

Dr. José Martín, sitting in for President García, said half of the full-time faculty at U. T. Brownsville are ethnic minorities, mostly Hispanic, but the representation of other minorities such as African-American is at least two or three times the population of the region served. Two-thirds of part-time faculty are ethnic minorities. The faculty is composed of 41% women full-time and 44% women part-time. He mentioned Dr. Natalicio's comment earlier about encouraging students to travel to Austin to gain perspective and he addressed issues related to preparing students for "life outside of Brownsville". He spoke about the process in the institutional Handbook of Operating Procedures regarding the selection of deans.

Vice Chancellor Brown said the challenges at U. T. System Administration are different than at the campuses but the commitment to diversity remains a priority and is reflected at the top. She commended the Board of Regents for their efforts in diversity, such as the discussion held at this meeting, saying it sends a strong message and is reflected in the University's leadership. She said there has been an increase from 16% African-American employees to 22% and in leadership positions, there has been a 1/3 increase in the number of African-Americans and Hispanics and a 46% increase in the number of women, which shows the progress at U. T. System.

Committee Chairman Craven thanked the participants for their commitment and leadership and stated she sincerely appreciated the community and alumni involvement in the Task Force on Racial Respect and Fairness established by President Faulkner. She encouraged leadership at other campuses to continue to listen to the community and alum.

ADJOURNMENT

Chairman Craven announced that the purpose for which this meeting was called had been completed, and the meeting was duly adjourned at 9:40 a.m.