

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

May 13-14, 2009

Austin, Texas

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/s/ Carol A. Felkel
Assistant Secretary to the Board of Regents
June 16, 2009

MINUTES
U. T. System Board of Regents
Audit, Compliance, and Management Review Committee
May 13, 2009

The members of the Audit, Compliance, and Management Review Committee of the Board of Regents of The University of Texas System convened at 12:15 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Regent Hicks, presiding
Vice Chairman Foster
Regent Longoria
Regent Stillwell

Also present were Chairman Huffines, Vice Chairman McHugh, Regent Dannenbaum, Regent Dower, Regent Gary, Regent Powell (for Item 4), Executive Director Martinez, and Assistant General Counsel to the Board Rabon.

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

1. **U. T. System: Internal Audit Department reports for U. T. Health Science Center – Houston and U. T. M. D. Anderson Cancer Center**

Committee Meeting Information

Presenter(s): Ms. Lois Pierson, Assistant Vice President, Auditing & Advisory Services, U. T. Health Science Center – Houston; Mr. Michael Peppers, Associate Vice President & Chief Audit Officer, U. T. M. D. Anderson Cancer Center

Status: Reported

2. **U. T. System: Report on the Systemwide internal audit activities**

Committee Meeting Information

Presenter(s): Mr. Charles Chaffin, Chief Audit Executive

Status: Reported

3. U. T. System: Report on efforts to update and enhance research conflicts of interest policies, procedures, and enforcement at U. T. System institutions

Committee Meeting Information

Presenter(s): Mr. Lawrence Plutko, Systemwide Compliance Officer; Mr. Barry Burgdorf, Vice Chancellor and General Counsel; Mr. Steven Collins, Associate Vice Chancellor for Governmental Relations and Special Counsel

Status: Reported

Future Actions:

1. Include review of conflict of interest policies at each Audit, Compliance, and Management Review Committee meeting to ensure U. T. System institutional policies are all online and there is a uniform database and reporting system by end of Calendar Year 2009
2. Mr. Plutko agreed with Regent Longoria's suggestion that mandatory, annual, conflicts of interest training could be considered.

Discussion at meeting:

Mr. Burgdorf provided background about the recent attention to the issue of conflicts of interest, saying he is the point person at U. T. System for communicating with Senator Chuck Grassley regarding various requests for reform over the past 18 months affecting U. T. System and other institutions across the United States regarding what he referred to in the popular vernacular as "payments to physicians." Mr. Burgdorf said the issue is broader because it involves all manner of faculty, including those involved in pharmacy, nursing, chemistry, biology, and any academic endeavor that touches the medical field. Mr. Burgdorf said the concern and the issue as it has evolved nationwide is that an academic medical system in the United States has been formed that is closely aligned with industries such as pharmaceutical companies and medical device manufacturers. University faculty are routinely involved with industry and, while such relationships facilitate avenues for research and further advancement of academic understanding, they receive payments from industry for consulting, speaking, and service on advisory boards. Some cases might appear to have a corrupting influence on research and educational endeavors because it is not possible for faculty members to take the amount of money they are taking in some instances and remain pure to their mission in research and education.

Mr. Burgdorf said this is not a new issue and all U. T. System institutions have a relatively robust conflicts disclosure and management system; however, there is no uniform method used across the nation or across U. T. System institutions. Saying the goal should be to rationalize what is being done and to harmonize to the extent that it makes sense across the U. T. System, Mr. Burgdorf said a satisfactory method needs to be developed to make disclosures publicly available since such are a matter of public record.

Mr. Burgdorf then described the work of the Cleveland Clinic as a leader in this area and he reported the following from a conference he recently attended with participants from industry and from academics:

- *The U. T. System is slightly behind the curve because others started working on this issue sooner, but he noted that Mr. Plutko would be proposing a solution to bring U. T. System back in line this year.*
- *The trend is to move to a Web-based disclosure system whereby members of the public can find out what their doctor or research faculty member is doing for, and being paid by, industry. Mr. Burgdorf reported that staff in information technology is working on such a system.*

Under the Grassley legislation, the burden would be on industry to make these disclosures, but Mr. Burgdorf remarked that is almost irrelevant as U. T. System will have to figure out how to tie to the information and how to be consistent. Mr. Burgdorf referenced State legislation that will be consistent with federal legislation and Mr. Collins provided remarks on the State legislation, saying it has not moved out of the House but is moving in the Senate.

Mr. Collins reported that former Chancellor ad interim Shine charged him with reviewing the research conflict of interest policy at the U. T. System health institutions and at U. T. Austin and he found in those initial reviews that at each of those institutions, the policies are in compliance with the basic minimum requirements of federal law. He noted, however, the following inconsistencies:

- *Organization and arrangement of the policy -- the different ways the policy is spelled out and enacted makes it difficult to compare and analyze the policies.*
- *Not all policies are currently accessible on the Internet, making it difficult for the public, faculty members, or employees to track down the policies that govern operations.*
- *There are at least 50 defined terms of art in the policies but not all use the same term nor are the terms defined in the same way.*
- *The policies vary in scope of application, for example, all the policies cover both faculty and various family members but the policies differ as to which family members are also covered by the disclosure policies.*
- *The policies vary as to the annual reporting date.*
- *The policies vary in terms of the actual content of the annual report that has to be filed, the very conflicts that require disclosure, and the conflicts that require management.*

Mr. Collins then reported that Mr. Plutko is pulling together a process by which there will be a broader review of these institutional policies and development of a model policy for U. T. System institutions.

In reply to questions from Board Chairman Huffines, Mr. Collins said the conflict of interest policies for most U. T. System institutions are accessible online and all will be available online, along with a uniform database and reporting mechanism, by the end of this year. In response to a question from Regent Dower, Mr. Collins explained the Research Compliance Committee has developed a matrix of best practices, broken down by institution that will be incorporated in a model policy. Regent Longoria requested the Audit, Compliance, and Management Review Committee continue to monitor the progress of this work to ensure it is accomplished by the end of the year.

Executive Vice Chancellor Shine summarized the matter by saying by and large, the U. T. System institutions have policies that are in compliance and the work ahead is to strengthen the way the policies are organized and accessible to be proactive and ahead of the curve.

Dr. Shine confirmed for Regent Dannenbaum that the conflict of interest matter is not limited to physicians at the U. T. System health institutions but is to be implemented Systemwide. Regent Stillwell asked if the National Institutes of Health (NIH) or other donor or granting institutions have guidelines or protocols that need to be followed to be, or to remain, eligible, and Mr. Burgdorf replied affirmatively, saying the NIH has recently proposed new guidelines that will need to be taken into account. In reply to a further question from Regent Stillwell, Dr. Shine said the guidelines are driven in part by Senator Grassley's legislation, and Mr. Burgdorf noted that while the U. T. System has a robust system in place, the standard is evolving, and U. T. System is trying not only to meet the new standard, but to be ahead of where the new standard is going. Regent Stillwell commented that any time standards for compliance are adopted, especially new compliance like this, there is an obligation to monitor compliance, and the monitoring process will live forever.

Mr. Plutko then echoed Dr. Shine's comments by saying he believes the U. T. System is in compliance with conflicts of interest policies, and he remarked the field is changing rapidly. He described the U. T. System Research Compliance Committee that is composed of staff from the Offices of General Counsel, Government Affairs, information technology, Health and Academic Affairs, Research and Technology Transfer, and institutional representatives from both the academic and health institutions. The Committee is divided into the following four working groups to fast-track the work on a model policy that is expected to be completed by the fall:

- *Disclosure work group -- will draft a written policy based on a state-of-the-art framework that references the new requirements much like the NIH requirements. A disclosure form, which is probative, where a covered individual or a covered recipient will quantify and spell out the relationships,*

the payments, and the transfers. An understanding is needed of what to declare for particular thresholds and to enhance procedures to ensure compliance.

- *E-solution work group -- will draft an electronic format that is searchable and the database will be auditable for reconciliation. The public has to be able to reconcile what is declared.*
- *Disclosure review work group -- will develop protocols regarding review and regular updating of disclosure forms and guidelines for the resolution of conflicting interests. This will enable management of particular interests and certification of due diligence to the presidents and to the Board of Regents.*
- *Education work group -- will develop guidelines for educating employees, faculty members, and executives to the policy. The guidelines will outline the expectations and how to complete the form. Mr. Plutko agreed with Regent Longoria's suggestion that mandatory, annual conflicts of interest training could be considered.*

In reply to an inquiry from Regent Dannenbaum regarding the sensitivity of some public disclosures, Mr. Plutko said legal counsel would review the matter. Committee Chairman Hicks said the Committee would like to see the U. T. System as a national leader in this area.

4. U. T. System: Report on Systemwide institutional compliance activities

Committee Meeting Information

Presenter(s): *Mr. Lawrence Plutko, Systemwide Compliance Officer*

Status: *Reported*

RECESS TO EXECUTIVE SESSION

At 1:10 p.m., the Committee recessed to Executive Session pursuant to *Texas Government Code* Section 551.074 to consider the matter listed on the Executive Session agenda as follows:

Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees –
Texas Government Code Section 551.074

U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System Administration and institutional employees involved in internal audit and compliance functions

RECONVENE IN OPEN SESSION

The Executive Session ended at 1:26 p.m., and the Committee reconvened in Open Session to adjourn. No action was taken on items discussed in Executive Session.

ADJOURNMENT

Committee Chairman Hicks adjourned the meeting at 1:30 p.m.

MINUTES
U. T. System Board of Regents
Finance and Planning Committee
May 13, 2009

The members of the Finance and Planning Committee of the Board of Regents of The University of Texas System convened at 1:30 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Vice Chairman Foster, presiding
Regent Gary
Regent Powell
Regent Stillwell

Also present were Chairman Huffines (for Item 8), Vice Chairman McHugh, Regent Dannenbaum, Regent Dower, Regent Hicks, Regent Longoria (for Items 3 - 7), and General Counsel to the Board Frederick.

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

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 138**

Committee Meeting Information

Presenter(s): *Committee Chairman Foster*

Status: *Discussed*

2. **U. T. System: Key Financial Indicators Report and Monthly Financial Report**

Committee Meeting Information

Presenter(s): *Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs*

Status: *Reported*

Discussion at meeting:

In reference to the chart on expendable financial resources to debt ratio (key indicators of capital needs and capacity for the period 2004 - 2008) on Page 22 of the Agenda Book, Regent Gary commented that the U. T. System is below the threshold for an AAA rating. Dr. Kelley responded the threshold shown is a median of other AAA bond ratings, and these ratios are one of many rating factors. He said the U. T. System maintains a strong AAA rating for bonds and commercial paper.

Regent Dannenbaum asked about funding of healthcare costs for employees and retirees and Associate Vice Chancellor - Controller and Chief Budget Officer Wallace and Dr. Kelley confirmed that funds for employee and retiree benefits are appropriated from the State and thus, U. T. System funds are not tapped. In response to a related question from Regent Dannenbaum, Dr. Kelley explained the U. T. System health institutions do not have health plans that compete for employee and retiree healthcare insurance plans.

Chancellor Cigarroa asked about the post-retirement health benefits liability impact on the Composite Financial Index (CFI) performance as shown in the charts on Page 23 of the Agenda Book. Dr. Kelley had earlier said that since the beginning of 2008, this liability has been recorded in the Systemwide operating margin (see charts on Page 21) in response to changes in accounting practices and although it had been a significant liability all along, it is now being reported as an expenditure. He noted that rating agencies have taken this liability into consideration in their analysis and while staff would be considering the changes in the accounting convention on a national scale and might modify some of the calculations or assessments to ensure the U. T. System is balancing investments for long-term viability, he noted the perceived weakening in performance due to a change in accounting convention is simply a paper transaction and discussions and adjustments, possibly on a national scale, may be needed going forward.

3. U. T. System: Approval of the Fiscal Year 2010 Budget Preparation Policies and Calendar

Committee Meeting Information

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

Status: Approved

Motion: Made, seconded, and carried unanimously

4. U. T. System Board of Regents: Adoption of an Amended and Restated Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions

Committee Meeting Information

Presenter(s): Mr. Philip R. Aldridge, Vice Chancellor for Finance and Business Development

Status: Approved

Motion: Made by Regent Gary, seconded by Regent Powell, and carried unanimously

Discussion at meeting:

Regent Dannenbaum asked about the processing of the Build America Bonds and Mr. Aldridge replied the bonds are processed through the U. T. System Office of Finance, which structures the deal with bond underwriters and investment bankers

who sell the bonds for the U. T. System. Mr. Aldridge noted that all projects that are financed are separately approved by the Board of Regents and the Texas Higher Education Coordinating Board and bond deals are approved by the Texas Bond Review Board and by the Attorney General. He continued to say the Finance Office also works with outside counsel on the transactions. Mr. Aldridge further explained the underwriters are selected through a Request for Qualifications (RFQ) process.

Regent Gary asked about the Build America Bonds authorized under the American Recovery and Reinvestment Act of 2009 (economic stimulus bonds). Mr. Aldridge explained there is a two-year window to issue new debt service on new projects. Dr. Kelley added that taxable bonds are issued and the government provides a rebate on the interest on the bonds to issuers. In response to a question from Regent Powell, Mr. Aldridge estimated the savings under the Build America Bonds will be 100 basis points or about \$100 million, depending on how much debt is issued.

5. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions

Committee Meeting Information

Presenter(s): Mr. Philip R. Aldridge, Vice Chancellor for Finance and Business Development

Status: Approved

Motion: Made by Regent Gary, seconded by Regent Powell, and carried unanimously

Discussion at meeting:

See discussion under Item 4 above. In addition, the Board Minutes were clarified following the Board meeting to reflect this item concerned the adoption of the Twenty-First Supplemental Resolution to the Master Resolution, substantially in the form previously approved by the Board of Regents.

6. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund

Committee Meeting Information

Presenter(s): Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer, UTIMCO

Status: Approved

Motion: Made by Regent Gary, seconded by Regent Powell, and carried unanimously

7. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended February 28, 2009

Committee Meeting Information

Presenter(s): Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer, UTIMCO
Status: Reported

Discussion at meeting:

Mr. Zimmerman reported for the quarter, investments were down about 5.5% in endowments and down 4.15% in the Intermediate Term Fund (ITF); a better quarter than previous. He said public equity in U.S., European, and Japanese markets and emerging and other markets were down and UTIMCO investments were also down 27% for the year (as of February 28) in endowments and 25% in the ITF.

Mr. Zimmerman reported that UTIMCO staff added value for the fiscal year to date in the Permanent University Fund (PUF), General Endowment Fund (GEF), and ITF. For March 2009, Mr. Zimmerman said endowments were up 1.25% and the ITF was up about 2.9%. For April 2009, he said it appears the endowments will be up 4% and the ITF is up just under 5%.

In reply to a question from Regent Dannenbaum, Mr. Zimmerman spoke about the role of managers hired by UTIMCO to trade in securities. He said primarily hedge fund managers trade in the collateralized debt security market and UTIMCO monitors exposures. He agreed with Regent Dannenbaum that while there have been trading losses, there have been no default losses.

Regent Stillwell asked about the constraints of liquidity in the ITF, which does not have private investments, and Mr. Zimmerman discussed the investment portfolio in hedge funds, which are not always liquid within 90 days due either to notice requirements or penalties. In response to a further question from Regent Stillwell, Mr. Zimmerman responded the private funds in which UTIMCO invests that are different from hedge funds include leverage buyout funds, venture capital, energy funds, real estate, and private equity funds.

8. U. T. System: Discussion with representative chief business officers of U. T. System health institutions regarding the business challenges and opportunities of partnership contracts and relationships

Committee Meeting Information

Presenter(s): Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs; Mr. Kevin Dillon, Executive Vice President, Chief Operating and Financial Officer, U. T. Health Science Center – Houston; Mr. John Roan, Executive Vice President for Business Affairs, U. T. Southwestern Medical Center – Dallas
Status: Reported

Discussion at meeting:

Dr. Kelley introduced the topic of partnerships particularly with hospitals, including how to continue to engage the private sector in partnership arrangements to leverage the assets and provide a greater return on those assets or to stretch the dollar to provide more effective services.

Mr. Roan spoke about challenges in

- *contracting*
 - *for professional care with Parkland Hospital, a county-owned hospital, and Children's Medical Center, a nonprofit hospital, noting cost concerns; both are in close proximity to the campus;*
 - *as a major research institution, there are issues of export controls and conflicts of interests, and joint ventures bring challenges in financing matters*
- *computer systems integration with hospital partners can be a major challenge*
- *the commitment of faculty to fulfill the educational research mission of the institution when faced with for-profit company objectives*
- *partner's proprietary information becomes subject to the Texas Public Information Act even if the partners themselves are not subject to the Act*
- *service overlaps with partners may raise challenges, such as determining who will provide surgical procedures when there is not much demand*
- *facilities growth -- the facility is large and transportation for physicians around the campus, for instance, is sometimes difficult; signage and way-finding around the large area; sharing of master plans with the Southwestern Medical District, a corporation that includes U. T. Southwestern Medical Center, Parkland, and Children's; seven shuttle bus routes*

Mr. Roan also spoke about opportunities in

- *public relations -- the area is a destination for healthcare in Dallas*
- *joint use facilities such as parking*
- *technology transfer*
- *improvements in telecommunications*
- *private sector joint venture partnerships to reduce the cost of the delivery of healthcare*

Mr. Dillon focused on challenges of teaching hospital relationships, saying the educational experience of third and fourth year medical students, residents, and fellows takes place in two nonprofit teaching hospitals, Memorial Hermann in the Texas Medical Center and Harris County Hospital District's LBJ General Hospital, as well as in the surrounding hospital and clinics. He said there is a significant interdependence of service and teaching with these hospitals, and he noted challenges specifically with the Memorial Hermann Healthcare System that suffered damages from Hurricane Ike and is experiencing a worsening payor mix and investment losses. Mr. Dillon spoke about the financial situation, noting the significant contribution of clinical activities at the two partner hospitals to fund the institution's Medical School. This reliance on faculty practice plans has increased over the last decade with reduced funding from the State and he said for the current fiscal year, 55% of the Medical School budget comes from the faculty practice plan and only 11% from State funding.

Dr. Kelley commented that, from a risk and financial standpoint, two-thirds of the budget comes from the hospitals of the health institutions and he summarized the complexities outlined by Mr. Roan and Mr. Dillon that led to management challenges and opportunities to leverage resources. Regent Gary noted this is an example of leveraging of resources as encouraged by the Legislature. Some discussion was held on telemedicine in response to a question raised by Regent Dannenbaum, and Chancellor Cigarroa and Executive Vice Chancellor Shine spoke about the Shared Services Initiative that is saving money.

ADJOURNMENT

Committee Chairman Foster adjourned the meeting at 2:43 p.m.

MINUTES
U. T. System Board of Regents
Academic Affairs Committee
May 13, 2009

The members of the Academic Affairs Committee of the Board of Regents of The University of Texas System convened at 4:00 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Regent Longoria, presiding
Vice Chairman McHugh
Regent Stillwell

Absent

Vice Chairman Foster

Also present were Regent Gary, Regent Hicks, Regent Powell, and General Counsel to the Board Frederick.

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

1. **U. T. Arlington: Authorization to enter into an agreement with and grant easements to the City of Arlington pertaining to approximately 5.392 acres on the U. T. Arlington campus along and near S. Center Street, Arlington, Tarrant County, Texas, to permit the design and construction of a pedestrian plaza and hiking trail as amenities for the east side of the U. T. Arlington campus, including the future Special Events Center**

Committee Meeting Information

Presenter(s): Ms. Florence Mayne, Executive Director of Real Estate; President James D. Spaniolo, U. T. Arlington

Status: Approved

Motion: Made by Vice Chairman McHugh, seconded by Regent Stillwell, and carried unanimously

2. **U. T. Dallas and U. T. Permian Basin: Authorization to grant licenses to Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on portions of the respective campuses to serve campus facilities**

Committee Meeting Information

Presenter(s): Ms. Florence Mayne, Executive Director of Real Estate

Status: Approved

Motion: Made by Vice Chairman McHugh, seconded by Regent Stillwell, and carried unanimously

3. **U. T. Austin: Approval of creation and honorific naming of the Lady Bird Johnson Center and renaming of the Lyndon B. Johnson Auditorium as the Lady Bird Johnson Auditorium**

Committee Meeting Information

Presenter(s): Dr. Randa S. Safady, Vice Chancellor for External Relations; President William Powers, Jr., U. T. Austin

Status: Approved

Motion: Made by Regent Stillwell, seconded by Vice Chairman McHugh, and carried unanimously

4. **U. T. Austin: Approval of honorific naming of the Center for the Study of Core Texts and Ideas as the Thomas Jefferson Center for the Study of Core Texts and Ideas**

Committee Meeting Information

Presenter(s): Dr. Randa S. Safady, Vice Chancellor for External Relations; President William Powers, Jr., U. T. Austin

Status: Approved

Motion: Made by Regent Stillwell, seconded by Vice Chairman McHugh, and carried unanimously

5. **U. T. System: Discussions on academic leadership matters related to interinstitutional collaboration (Deferred)**

Committee Meeting Information

Presenter(s): Executive Vice Chancellor for Academic Affairs David B. Prior

Status: Deferred

Discussion of this item was deferred due to time constraints.

ADJOURNMENT

Committee Chairman Longoria adjourned the meeting at 4:08 p.m.

MINUTES
U. T. System Board of Regents
Health Affairs Committee
May 13, 2009

The members of the Health Affairs Committee of the Board of Regents of The University of Texas System convened at 4:10 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Vice Chairman McHugh, presiding
Regent Dannenbaum (for Items 3 and 4)
Regent Longoria
Regent Powell

Also present were Regent Dower, Regent Gary, Regent Hicks, Regent Stillwell, and General Counsel to the Board Frederick.

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

Committee Chairman McHugh announced for the record that she has accepted the position of Vice President, Compliance Risk Management and Privacy Officer at CHRISTUS Spohn Health System in Corpus Christi, as an employee of CHRISTUS Health. She noted that prior to beginning this employment, she had consulted with the General Counsel to the Board and with the Vice Chancellor and General Counsel to assure that there was no prohibition to employment in that capacity. However, she has asked them to continue to be sensitive to and to advise her of any potential conflicts and she pledged to the Committee and to the Board that any potential conflicts that may be identified will be handled quickly and appropriately.

1. **U. T. M. D. Anderson Cancer Center: Authorization to purchase Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Ms. Rosalyn Sadberry and any successors and assigns or other persons who may be determined to hold all or part of an interest in such land, for a purchase price not to exceed fair market value as established by an independent appraisal, for future use for campus administrative and support functions**

Committee Meeting Information

Presenter(s): Ms. Florence Mayne, Executive Director of Real Estate

Status: Approved

Motion: Made by Regent Longoria, seconded by Regent Powell, and carried unanimously

2. U. T. Medical Branch – Galveston: Approval of a Ph.D. degree program in Rehabilitation Sciences

Committee Meeting Information

Presenter(s): David L. Callender, M.D., President, U. T. Medical Branch – Galveston

Status: Approved

Motion: Made by Regent Longoria, seconded by Regent Powell, and carried unanimously

3. U. T. System: Discussion concerning the impact of the economic downturn on U. T. System health institutions

Committee Meeting Information

Presenter(s): Kenneth I. Shine, M.D., Executive Vice Chancellor for Health Affairs; health presidents

Status: Discussed

Future Action: Include the topic of healthcare payment reform on the agenda for each meeting going forward.

Discussion at meeting:

As an introduction to the topic, Dr. Shine said that for every one percent increase in unemployment in the United States, one million people go on Medicaid and 1.1 million people become uninsured. He said the current economic downturn is having a significant impact on the U. T. System health institutions.

President Kaiser:

- *Since the institution does not own a hospital, U. T. Health Science Center – Houston is dependent on hospital partners for program development and support of faculty and medical staff. The financial health of Memorial Hermann Healthcare System is questionable after sustaining significant damage, particularly to one of its properties, in Hurricane Ike and having been caught in an auction-rate bond market. Harris County Hospital District, which has been robust over the past couple of years, might see a decrease in financial health because of the reassessment of the tax base this coming year.*
- *In the current economic climate, there is an expectation to see an increase in people who “self pay.” Citing revenue from Medicare, Medicaid, indigent self-pay, and commercial pay as examples, he reported there has not been a significant change in the demographics of payors but there is a slight increase in use of the emergency department of about three percent of people who self pay who, if they are admitted to the hospital, would have a significant effect on downstream revenues since there is not revenue from services that are performed in the hospital. The emergency department works well for those who have insurance and pay, he said, but it obviously costs the institution for those who do not pay.*

- *He agreed with Dr. Shine's comment that as people lose their jobs, people also lose their insurance and whether or not people will receive medical insurance with their new jobs may be the beginning of a problem of the future.*
- *Pointed out that federal healthcare reform aims to have health insurance for all Americans, which could mean a significant change in how healthcare is reimbursed.*
- *U. T. Health Science Center – Houston is running a razor-thin positive margin, despite having put in place cost containment measures in November 2008 and a flexible hiring freeze. He noted opportunities in hiring faculty due to uncertainties at Baylor University and U. T. Medical Branch – Galveston.*

President Podolsky:

- *U. T. Southwestern Medical Center – Dallas has a mix of its own healthcare system with university hospitals and of partnering with hospitals such as Parkland Hospital and Children's Medical Center of Dallas.*
- *Has not seen a significant impact in critical revenues (which have experienced growth due in part to contracts put in place last year) and the overall financial framework of the University due to the economic downturn. Cost containment efforts and a flexible hiring freeze are in place, and opportunities are being sought for strategic investments such as in terms of recruitment.*
- *Endowment income has been affected and a different payment schedule for gifts made in the past may be required; both might impact the overall operating budget.*
- *On the positive side, additional proposals have been submitted to the NIH for economic stimulus funds (American Recovery and Reinvestment Act of 2009), with some grants already received.*
- *The annual contract negotiation is taking place with Parkland Hospital; bottom line is healthy; looking at enhancements to the contract to improve the efficiency of care and quality. He noted that Parkland has the support and good standing from the county but cautioned this could be affected by a change in revenue or tax base of the county.*

President Mendelsohn:

- *U. T. M. D. Anderson Cancer Center has grown from 5-10 percent over the past 12 years, driven by the positive margin accrued that was projected to be more than \$150 million this year when Fiscal Year 2009 started. Since the economic downturn, more patients are coming to the institution and gross revenues are higher than they have ever been but there is an increase in bad*

debt, an increase in indigent care, and a small decrease in cash from philanthropy although total philanthropy is ahead of target. Expenses have increased due to hiring more nurses to take care of the surplus of patients.

- *With expenses exceeding revenues in the past five-six months, efforts are being made to increase income by shortening the wait time to get into M. D. Anderson by 50 percent. Thinking that increasing the number of patients is not going to be enough, a temporary hiring freeze was put in place a few months ago, faculty and administration raises were frozen, and, despite a positive margin, one month ago a 10 percent reduction in expenses was announced for each operating unit.*
- *The reduction is a strategic process, is not an immediate cut, is a realignment of positions, is not across the board, and will not interfere with patient care. Executive directors were able to cut expenses and other groups are submitting plans to reduce programs, eliminate some positions, and limit travel, catering, and search expenses. Clinical trials will be reduced by 20 percent, but will still be the largest of any cancer center in the country. With slowdowns on the capital plan, President Mendelsohn aims to get the margin back at \$150 million so the institution can continue to grow, recruit, and expand the programs that are the highest value.*

Regent Gary asked President Mendelsohn what is his biggest challenge as he pursues this marginal recovery plan, and Dr. Mendelsohn replied the biggest challenge is that medical care is going to change in this country. He said the institution lost \$90 million on Medicare last year and reported there are 45 million Americans not insured in the U.S. who President Obama plans to have insured by July under a similar program. He said even if the economy recovers in the next year or two, people who run hospitals and practice plans are going to have to face the fact that whatever balance has been achieved between the academic and clinical programs will need to be recalibrated.

In response to a question from Regent Stillwell about the lead time for patient admissions, Dr. Mendelsohn explained the reduced wait time will not last but the addition to the Alkek Hospital will permit handling more patients, and the institution will be more user-friendly and inviting.

In reply to Regent Dannenbaum's question about the ability of individuals who lose their jobs to transfer skill sets to another U. T. System institution, Dr. Mendelsohn said outplacement is being expanded. He said he would pass along the suggestion to Human Resources, but he noted although some people will lose their jobs, the institution is undergoing a realignment of positions rather than a reduction in force, and, in fact, the institution is able to hire while cutting the budget.

Dr. Shine commented that in general, paying patients are tending to defer care because they are nervous about taking the day off to go to the doctor as they believe they could lose their jobs. Consequently, there is an increase in emergency

room utilization. Memorial Hermann Hospital has been hurt significantly due to the increasing amount of uninsured patients. He said he hopes a Legislative rider will come through regarding credit for uncompensated care.

President Calhoun:

- *U. T. Health Science Center – Tyler was well positioned going into the economic downturn, with the reengineering of the institution about five years ago and some early financial crises that resulted in a reduction in the number of full-time employees from 1,300 to 800. The bottom line has been strengthened by cost controls and by a clinical faculty compensation plan that is based on productivity. There has been a slight increase in the self-pay population treated at the institution and with a predominance of Medicare and Medicaid patients, the institution has been structured to deal with government payers.*
- *In terms of taking advantage of the economic situation, the institution has been able to recruit faculty in some key areas for the clinical operation but there are challenges in recruiting in mission-driven areas such as research and academics. There are opportunities because other states are feeling the economic downturn worse than Texas but top recruits may experience difficulty in selling their homes and in finding jobs for spouses. Dr. Shine added that if property values drop any further and the appraisal values go down, the tax districts are going to have some problems supporting some of the public hospitals.*

Interim President Henrich:

- *Bexar County has about a 25-26 percent uninsured rate and unemployment has increased in the San Antonio metropolitan area, but the fee for service income at U. T. Health Science Center – San Antonio has increased because many new programs were rolled out. A new clinical building will open in September and a large cancer therapy and research center was acquired by merger.*
- *The institution is on budget and is maintaining margins with an aggressive cost containment policy in place. Since the Health Science Center relies heavily on hospitals the institution does not own, and these hospitals have major capital improvement projects underway at a time when the tax base is eroding, this could have an adverse effect on the institution.*
- *There is a major change coming in the federal healthcare plan and less money is predicted for Medicare, thus there is a reason to be nimble and ready to change the financial models for the future.*

President Callender:

- *U. T. Medical Branch – Galveston has instituted cost controls for a long time due to the high percentage of the Medicaid, Medicare, and unsponsored care population.*
- *The institution is collaborating with community agencies to reengineer care to keep patients out of the emergency room and to do a better job of dealing with chronic health issues early. A pilot program that works with the county health authority, shifting the use of resources for home visits and enabling social service agencies in the communities, has dramatically reduced emergency room visits.*
- *On the Mainland, the strategic challenge is how to shift the focus to be more a provider of specialty services for the referring primary care and community physicians in the community. Hurricane Ike actually helped to position a number of faculty physicians who are practicing side-by-side with community physicians in the Mainland hospitals. There has been a marked growth in new patient referrals to a number of new clinics on the Mainland. There is a need to continue to develop those relationships and make sure the areas of focus complement services that are already being provided by existing hospitals and community physicians.*

4. U. T. System: Discussion regarding the impact of federal legislation, including the economic stimulus package, and impending federal regulatory changes on U. T. System health institutions

Committee Meeting Information

Presenter(s): *Kenneth I. Shine, M.D., Executive Vice Chancellor for Health Affairs; health presidents*

Status: *Discussed*

Future Action: *Include the topic of healthcare payment reform on the agenda for each meeting going forward.*

Discussion at meeting:

Dr. Shine spoke of the need for the U. T. System health institutions to continue to adapt to short-term conditions (see changing conditions discussed in Item 3 above). He reported there is \$19 billion in the economic stimulus package for health information technology, approximately \$8 billion for the NIH, and \$1.1 billion for effectiveness research, which he described as payment for the most effective drugs. Dr. Shine said effectiveness research could be a factor in controlling healthcare costs, albeit an area of controversy as pharmaceutical companies and others are fighting to keep effectiveness research from being translated into any kind of pricing application.

Dr. Shine noted the following trends for the future:

- *enormous pressure to control healthcare costs*
- *coordination and bundling of care (payment for service, patient care in the hospital, and for 30-90 days afterwards) requires knowing what costs are and what to charge and might result in deals to see what the hospitals get compared to the doctors. He spoke of the different scenarios if the health institution owns the hospital or partners with hospitals, saying in the latter case it might be in the interest of the hospitals to join the health institution in this type of effort.*
- *efforts to reduce Medicaid or Medicare readmissions*
- *reward outcome in what is called “pay for performance,” whereby groups of physicians or hospitals could keep the profit for good performance as opposed to the insurance companies. The health institutions are experimenting in this area.*

Dr. Shine summarized by saying the health institutions are trying hard to cope with the rapidly changing healthcare environment, and he noted the real challenge is for the health institutions to position themselves now to be nimble and to come up with approaches that will allow cost controls and bundling of products and produce integrated and coordinated care. He said the current enormous pressure on controlling costs is different from 1993 when access to, and increasing coverage of, healthcare were highlighted.

Executive Vice Chancellor Shine spoke about a legislative provision for the Texas Retirement System to carry out experiments in buying bundled packages of care for retirees. Dr. Shine noted keywords are “coordination/integration of care,” “bundling of services,” and “medical homes” where people would receive comprehensive care.

In summary, Dr. Shine said the challenge is to use the current opportunity to reduce costs and to keep recruiting.

In reply to a comment from Committee Chairman McHugh about the timing of baby boomers being eligible for Medicare, Dr. Shine said the projection is that Medicare will go broke in 2017, which is 2-3 years sooner than the previous projection. He noted the social security system is also coming up short.

Suggesting possible synergy across the U. T. System health institutions, President Podolsky said that in looking ahead to adapt to changes in the healthcare process and health delivery research, a dimension of academic competence with real practical implications is needed on how to manage the enterprise. Dr. Shine said there is some expertise (health economists) in the state that needs to be pulled together. Also, he has asked the health presidents to nominate an individual from each institution to help on the matter of payment reform so that the U. T. System

group will become an expert resource in that area and a model of operational efficiency. Committee Chairman McHugh said the U. T. System will lead the way in this area and she noted the Health Affairs Committee will continue to discuss this topic at each meeting.

Regent Powell referenced the significant migration expected in the U.S. over the next 25 years that will impact the matters just discussed and Dr. Shine noted demographic data that suggests that over the next 10-15 years, Anglo-Americans will be getting older and will be part of the Medicare population, while the Hispanic population will be younger and growing the most rapidly.

5. **U. T. System: Quarterly report on health matters, including educational initiatives in the health sciences, conflict of interest policies and programs, and electronic health record challenges (Deferred)**

Committee Meeting Information

Presenter(s): Kenneth I. Shine, M.D., Executive Vice Chancellor for Health Affairs

Status: Deferred

Discussion of this item was deferred due to time constraints.

ADJOURNMENT

Committee Chairman McHugh adjourned the meeting at 5:09 p.m.

MINUTES
U. T. System Board of Regents
Facilities Planning and Construction Committee
May 13, 2009

The members of the Facilities Planning and Construction Committee of the Board of Regents of The University of Texas System convened at 2:45 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Regent Gary, presiding
Regent Dannenbaum
Regent Hicks
Regent Powell

Also present were Chairman Huffines, Vice Chairman McHugh, Vice Chairman Foster, Regent Dower, Regent Longoria, Regent Stillwell, and General Counsel to the Board Frederick.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Committee Chairman Gary called the meeting to order. The PowerPoint presentation concerning all items is set forth on Pages 9 - 47.

1. U. T. System: Impact of current economic trends on construction costs

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Reported

Discussion at meeting:

See Slides 3 - 10 on Pages 11 - 18 for Mr. O'Donnell's report on the impact of current economic trends on construction costs.

Board Chairman Huffines asked Mr. O'Donnell to summarize the \$2.56 billion competitiveness initiative approved by the Board in 2006 to boost competitiveness in science and technology, including funding for Science, Technology, Engineering, and Mathematics (STEM) projects. Mr. O'Donnell explained that construction projects that were to be funded by the 2005 Legislature with Tuition Revenue Bonds (TRB) were further targeted for allocation of Permanent University Funds (PUF) in 2006. He said there were 44 projects, and all but one or two are underway. Chancellor Cigarroa said this new infrastructure could not come at a better time for faculty recruitment.

Mr. O'Donnell noted that allocation of future TRBs awaits the current legislative session; federal stimulus funding appears to be for K-12 projects rather than higher education; and Hurricane Ike recovery assistance might be forthcoming.

Regent Dannenbaum asked about the process to prequalify contractors and Mr. O'Donnell reported that contractors are closely scrutinized, the bond companies are reviewed for health, and a checklist is followed. He reported only two contractors have recently defaulted.

2. U. T. Arlington: Special Events Center (SEC) Parking Garage and Residence Hall - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

Regent Dannenbaum asked about providing additional security on campus and Mr. O'Donnell responded that one of the offices in the building will be the campus police office. President Spaniolo also addressed the safety preparations and Executive Vice Chancellor Prior said safety precautions are routinely considered for all campuses.

3. U. T. Austin: Clark Field Renovation - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

In reply to a question from Regent Longoria, Mr. O'Donnell said the new turf will help with drainage and permit use in various weather conditions.

Regent Hicks asked what campus department oversees this project and Mr. O'Donnell responded the Division of Recreational Sports oversees projects under Items 3 and 5, whereas the Athletics Department oversees the project under Item 4. (See the note related to gift funding under Item 5 on the next page.)

4. U. T. Austin: Outdoor Pool - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

See note under Item 5 below.

5. U. T. Austin: Whitaker Fields and Tennis Complex Renovation - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

Board Chairman Huffines remarked that this project will be funded entirely with gifts, and Mr. O'Donnell confirmed that projects under Items 3, 4, and 5 would not proceed to design development until gift funds are committed. Executive Vice Chancellor Kelley clarified that before a project that includes gift funds may proceed to design development, gifts must be in hand, pledges must be signed, or the Board must have approved to retract that funding and revise the funding sources.

6. U. T. Dallas: Campus Services and Bookstore Building - Amendment of the FY 2009-2014 Capital Improvement Program to include project (Preliminary Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

Mr. O'Donnell satisfied Regent Dannenbaum's concern regarding the financial stability of the bookstore operator, saying the project will not proceed to design development until the Office of Finance and the Office of General Counsel are satisfied.

7. **U. T. Dallas: Callier Center Renovations - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

8. **U. T. Dallas: Repairs and Major Maintenance of the Student Union - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

9. **U. T. El Paso: University Housing Expansion - Schuster Avenue Apartments - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

10. **U. T. Southwestern Medical Center – Dallas: Remodel Level 8 St. Paul University Hospital - Amendment of the FY 2009-2014 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Discussion at meeting:

In reply to Vice Chairman Foster's question, Mr. O'Donnell replied that the source of funding for Hospital Revenues is cash.

11. **U. T. Austin: Marine Science Institute-National Estuarine Research Reserve (MSI-NERR) Headquarters and Laboratory Expansion - Amendment of the FY 2009-2014 Capital Improvement Program to increase the total project cost; approval to revise the funding sources; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Conditional approval, see below

Motion: Made by Regent Hicks, seconded by Regent Powell, and carried unanimously with the condition noted below

Future actions:

1. The project was approved, conditioned on further study of the appropriate building elevation, including review of historical data and risks, in consultation with Regents Dannenbaum and Powell, to be completed by the June 18, 2009, Board of Regents' meeting.
2. Regent Hicks asked about the expected occupancy of the research building.

Discussion at meeting:

Regent Dannenbaum asked about the minimum elevation and Mr. O'Donnell responded it is 24.5 feet to comply with code. Regent Dannenbaum expressed concern, suggesting a 26 foot first-floor structure as more consistent with historical records of storm surges.

Board Chairman Huffines expressed concern that half the project will be debt financed although the project was originally put on the Capital Improvement Program (CIP) without debt. President Powers explained that institutional funds are available to pay the debt, and there is an opportunity to use federal funds. Further, he added the project proposes an economical way to add space for research and faculty. Executive Vice Chancellor Kelley added that debt is not necessarily a bad thing as it permits holding on to cash for other projects.

Regent Hicks asked about the expected occupancy of the research building and Mr. O'Donnell replied he would find out.

Following extensive discussion about the process involved to increase the elevation, the implications of timing, and additional cost concerns, Committee Chairman Gary suggested the Committee grant conditional approval of the project, working with Regents Dannenbaum and Powell to resolve the elevation issue and report back to the Board in June 2009.

12. **U. T. M. D. Anderson Cancer Center: Mid Campus Parking Facility - Amendment of the FY 2009-2014 Capital Improvement Program to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made by Regent Hicks, seconded by Regent Powell, and carried unanimously

Discussion at meeting:

In response to a question from Regent Foster as to why costs increased 50 percent, Mr. O'Donnell said the project had originally been placed on the Capital Improvement Program (CIP) as a placeholder and the increased number of parking spaces drove up the costs. Regent Dannenbaum noted the potential revenue from the facility.

13. **U. T. Health Science Center – Tyler: Academic Center – Amendment of the FY 2009-2014 Capital Improvement Program to increase the total project cost; approval to revise the funding sources; approval of design development; redesignation as Phase I; allocation of Permanent University Fund Bond Proceeds; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made by Regent Hicks, seconded by Regent Powell, and carried unanimously

Discussion at meeting:

Regent Hicks asked what drives the almost doubling of costs and Mr. O'Donnell replied that at the time the original project was submitted in 2005, the Tuition Revenue Bonds (TRB) allocated to the project were insufficient to build an academic building. The scope of work has since increased to include a cancer program that, President Calhoun said, is being developed with U. T. M. D. Anderson Cancer Center. In reply to a further question from Regent Hicks, President Calhoun explained the gift funding, which has subsequently doubled, is being used instead for radiation therapy equipment. President Calhoun assured Regent Dannenbaum that the best equipment will be purchased.

Board Chairman Huffines explained the TRBs were committed three years ago and Dr. Shine commented that at the time the project was originally considered, the institution was in financial distress. He said the institution is now fiscally viable and there is potential to develop a cancer program, thus, this project can be considered an investment in the future of the institution.

14. U. T. M. D. Anderson Cancer Center: Pawnee Infrastructure Development - Amendment of the FY 2009-2014 Capital Improvement Program to increase total project cost and appropriation of funds and authorization of expenditure (Final Board approval)

Committee Meeting Information

Presenter(s): Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction

Status: Approved

Motion: Made, seconded, and carried unanimously

Future action: Respond to the Committee on whether or not the utility lines funded under the project will allow additional users to use any excess capacity in the future and if so, address in the arrangement with the City of Houston.

Discussion at meeting:

Regent Powell asked if the 48 feet of the roadway portion of the project includes the right-of-way or back-to-curb and the consensus was it is probably back-to-curb.

Vice President Leon Leach said he would gather the necessary information to respond to Regent Dannenbaum on whether or not the utility lines funded under the

project will allow additional users to use any excess capacity in the future and if so, Regent Dannenbaum suggested this be addressed in the arrangement with the City of Houston.

ADJOURNMENT

Committee Chairman Gary adjourned the meeting at 3:58 p.m.

Agenda Items Included in FPCC May 2009

6



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Office of Facilities
Planning and
Construction



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Report on the

Impact of Current Economic Trends
on Construction Costs



Impact of Current Economic Trends on Construction Costs Present National Environment

- Construction market continues to show significant weakness with double digit declines in most states
- Total loss of almost two million sector jobs since 2007 peak
- Significant increase in competition among bidders resulting in moderate to strong construction price deflation
- Unprecedented strain on contractor financing and working capital
- Higher likelihood of contractor and subcontractor failure
- Greatest uncertainty in inflation in 2010 to 2011, dependent on severity of recession and speed and strength of recovery both in U.S. and globally



Impact of Current Economic Trends on Construction Costs Present National Environment

- Sector weakness will continue well into 2010
- Recovery is likely to be sluggish
- Sector capacity will shrink to align with demand and as businesses fail
- Reduced sector capacity will increase susceptibility to inflationary pressures, even for modest rises in demand
- Broader global recovery - inflationary pressure on construction materials - strategic commodities
- Inflation scenarios are significantly more complex than those experienced in recent markets - both rate & speed
- Planning for uncertainty more important than planning for a specific rate

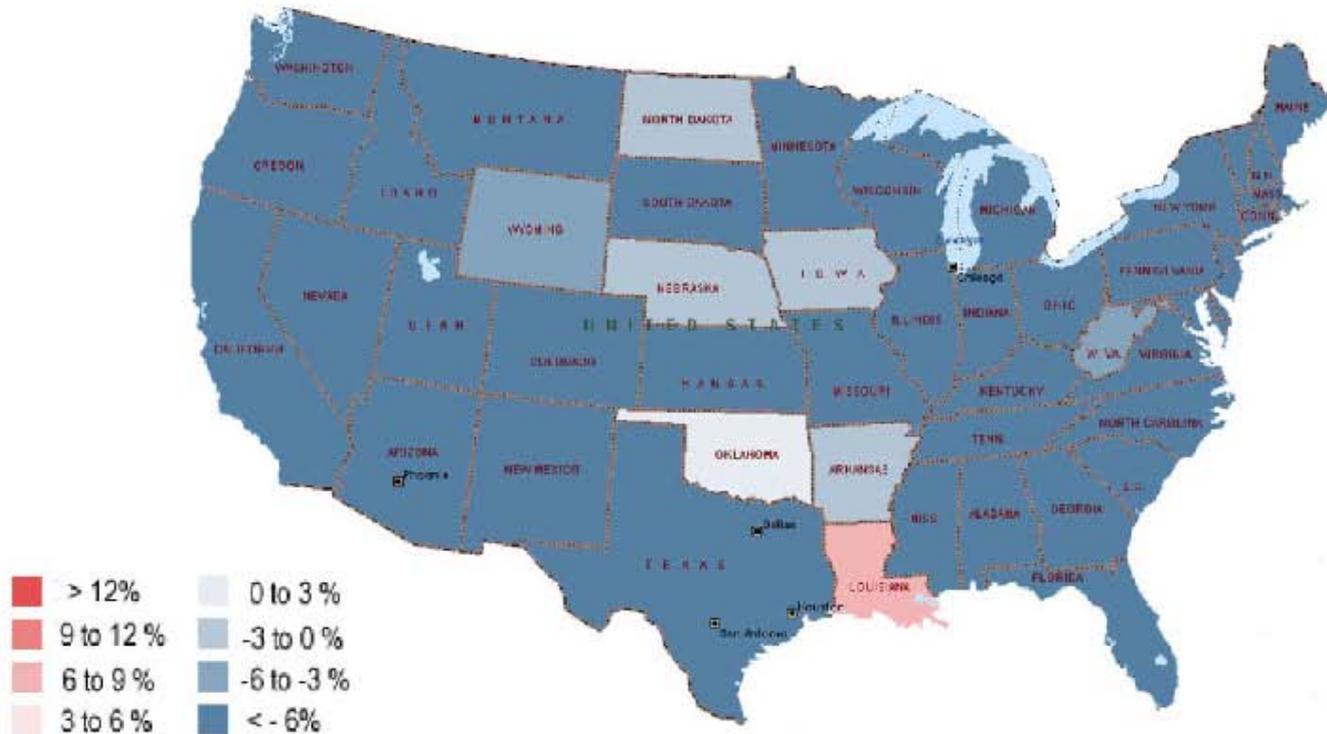
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Impact of Current Economic Trends on Construction Costs

Present Regional Environment

Percentage Change in Construction Employment
from March 2008 to 2009¹



13

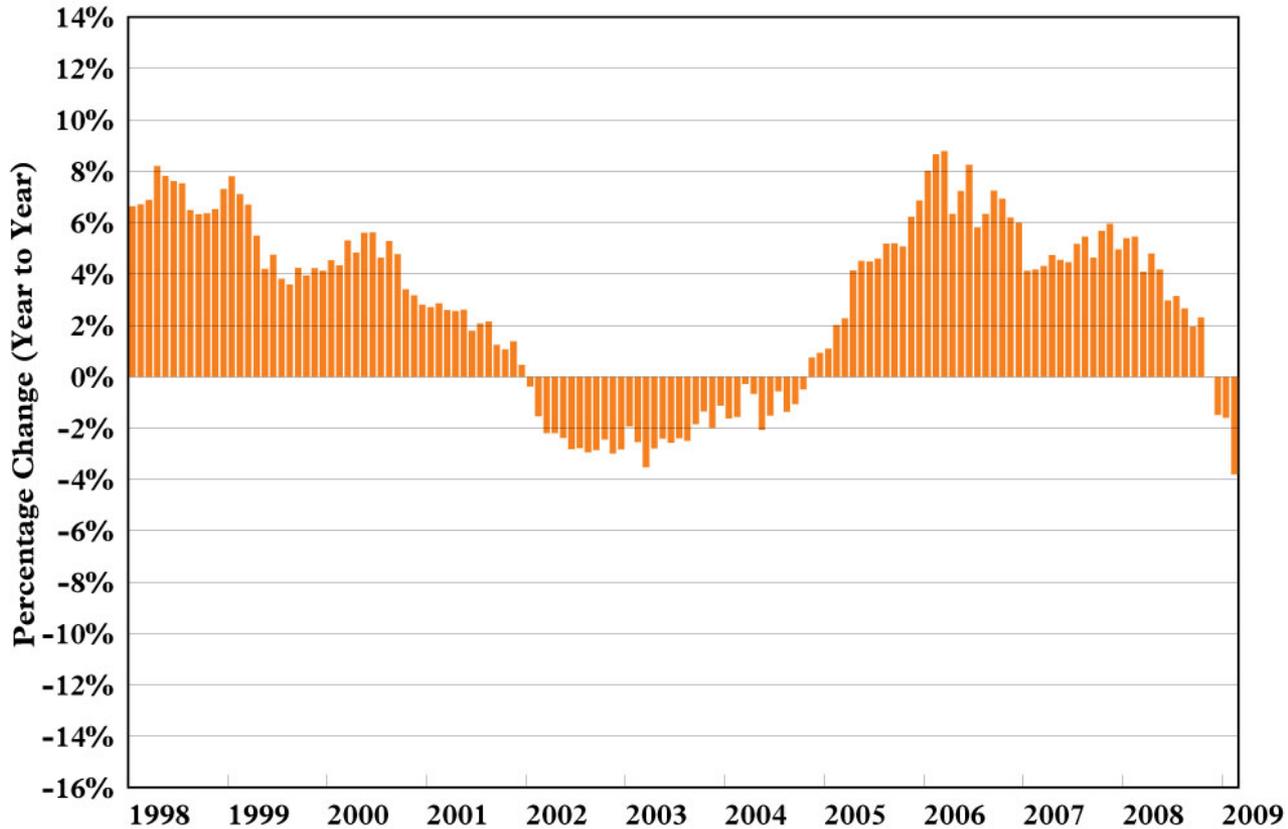
¹Davis Langdon Construction Industry Market Report First Quarter Update 2009



Impact of Current Economic Trends on Construction Costs

Present Regional Environment

Construction Employment Percent Change - **Region VI**¹



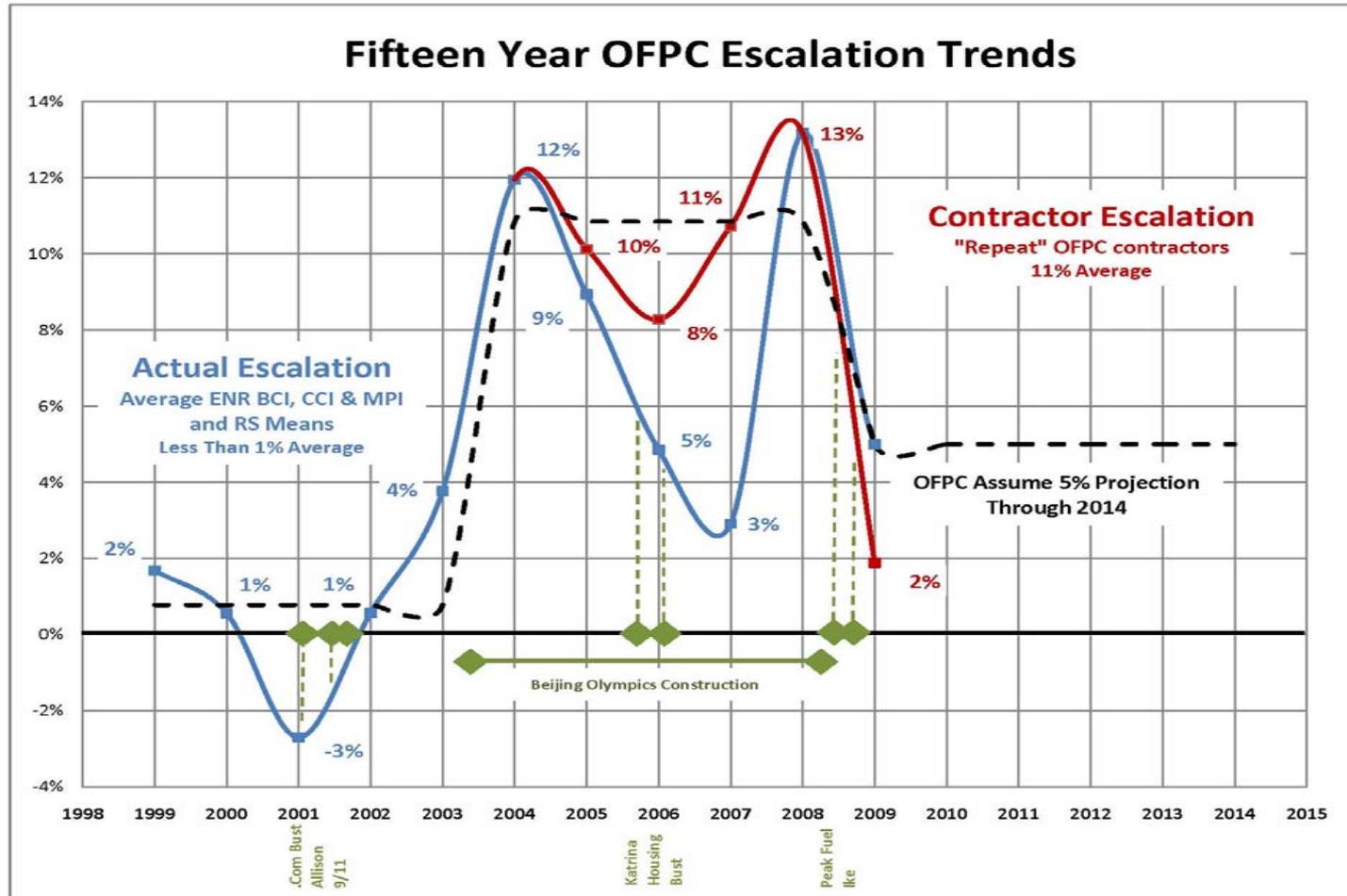
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¹Davis Langdon Construction Industry Market Report First Quarter Update 2009



Impact of Current Economic Trends on Construction Costs

Present OFPC Environment



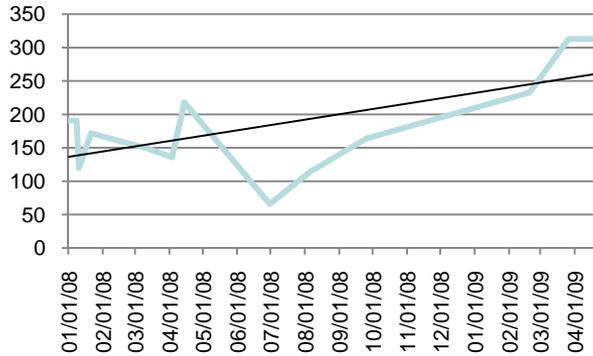


Impact of Current Economic Trends on Construction Costs

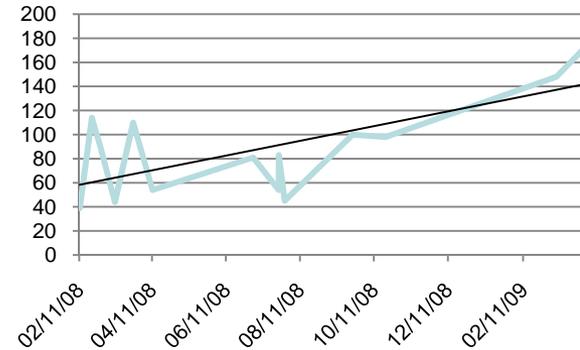
Present OFPC Environment

Responses to OFPC Requests for Qualifications and Proposals

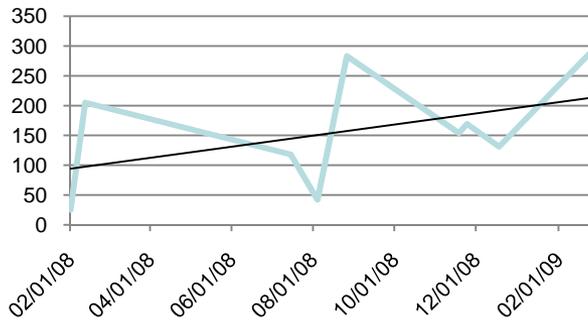
Design Professionals (26%)



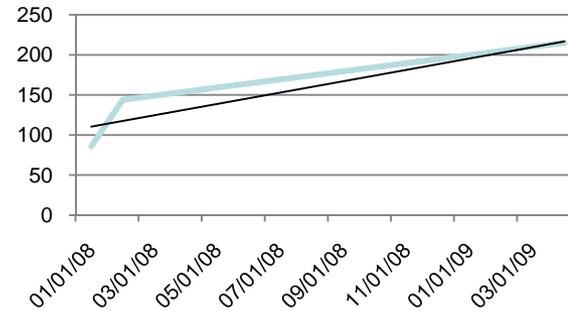
Construction Manager-At-Risk (20%)



Competitive Sealed Proposals (30%)



Design-Build (23%)





Impact of Current Economic Trends on Construction Costs Present OFPC Environment

- 10-25% increase in subcontractors attending pre-proposal meetings
- 15-20% increase in the number of subcontractor proposals on bid day
- 17 • 8% average in additional buy-out savings on Guaranteed Maximum Price (GMP) process
- 11% average commodity price savings
- Little effect on project schedules - monitor
- Texas material and labor costs slightly above national average - “modified island effect”



Impact of Current Economic Trends on Construction Costs Present OFPC Environment

- Current project delivery process continues to position U. T. System for high risk, volatile markets
- Delivery processes provide flexibility for project type
- Historically, schedule has been primary driver - escalation
- 18 • Strategies now include timing of release of CD's
- Alternates remain best strategy
- OFPC does not “bid shop”
- Delaying projects in our region generally not an advantage
- Retrospective on funding
- Remain strategically focused



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Consideration of Project Additions to the FY 2009-2014 Capital Improvement Program



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The University of Texas at Arlington Special Events Center Parking Garage and Residence Hall

- Project will consist of a parking structure with approximately 1,800 spaces to support the Special Events Center (SEC) and a connected residence hall structure wrapping three sides of the parking structure
- Residence hall will include approximately 122,328 gross square feet with an estimated 241 residence rooms, 15 resident assistant rooms, study rooms, laundry and vending areas, and multiuse common space as well as retail and office space
- Total Project Cost is \$67,000,000 with funding from Revenue Financing System Bond Proceeds

20



The University of Texas at Austin Clark Field Renovation

- Project will replace existing natural grass with an artificial turf system, recontour field area to improve grading, refurbish existing track and exercise stations, replace existing sports lighting, add bleacher seating, and provide support facilities
- Additional amenities will include a pedestrian bridge across Waller Creek, protective sports netting, scoreboards, and a new public address system
- Total Project Cost is \$5,000,000 with funding from Gifts



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The University of Texas at Austin Outdoor Pool

- Project will include an outdoor, aboveground pool for men's and women's swim team training as well as decking, lighting, security walls, gates, landscaping, irrigation and pump system
- Total Project Cost is \$4,800,000 with funding from Gifts

22



The University of Texas at Austin Whitaker Fields and Tennis Complex Renovation

- Project will include restoring existing grass fields and adding synthetic fields, as well as replacing irrigation, plumbing, electrical, lighting, and security systems; improving the drainage and grading systems, demolishing and replacing support facilities, and tennis court repairs
- Additional amenities include new perimeter fencing, protective sports netting, landscaping, signage, scoreboards, bleacher seating and a public address system
- Total Project Cost is \$23,000,000 with funding from Gifts



The University of Texas at Dallas Campus Services and Bookstore Building

- Project will construct a two-story structure housing a vendor-operated retail bookstore facility, a campus visitor center, and other campus services including a copy center, technology store, and coffee shop
- Project will be developed in a manner to attract both campus and community customers
- Total Project Cost is \$9,250,000 with funding of \$6,250,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Unexpended Plant Funds



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The University of Texas at Dallas Callier Center Renovations

- Project will renovate interior space of the building, including the lobby area, add additional classroom space, and make the available clinical spaces more productive
- Requesting Institutional Management
- Total Project Cost is \$1,250,000 with funding from Revenue Financing System Bond Proceeds

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The University of Texas at Dallas Repairs and Major Maintenance of the Student Union

- Project will include replacement of the Student Union roof as well as replacement of aged heating, ventilating and air conditioning (HVAC) coils and pumps
- Requesting Institutional Management
- Total Project Cost is \$1,000,000 with funding from Revenue Financing System Bond Proceeds

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The University of Texas at El Paso University Housing Expansion – Schuster Avenue Apartments

- Project will include renovations and upgrades of two apartment complexes for conversion to student housing and will add approximately 205 beds to the housing inventory
- Total Project Cost is \$6,500,000 with funding from Revenue Financing System Bond Proceeds

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The University of Texas Southwestern Medical Center – Dallas Remodel Level 8 St. Paul University Hospital

- Project will include complete demolition of the interior space of approximately 27,000 gross square feet and the creation of a 32-bed medical/surgical nursing unit
- Requesting Institutional Management
- Total Project Cost is \$9,200,000 with funding from Hospital Revenues

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CIP Additions

• 8 Academic Projects	\$117,800,000
• 1 Health Project	<u>\$ 9,200,000</u>
• Total Change in CIP	\$127,000,000



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Consideration of Design Development

- The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion
- The University of Texas M. D. Anderson Cancer Center Mid Campus Parking Facility
- The University of Texas Health Science Center at Tyler Academic Center - Phase I



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The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion

Campus Plan

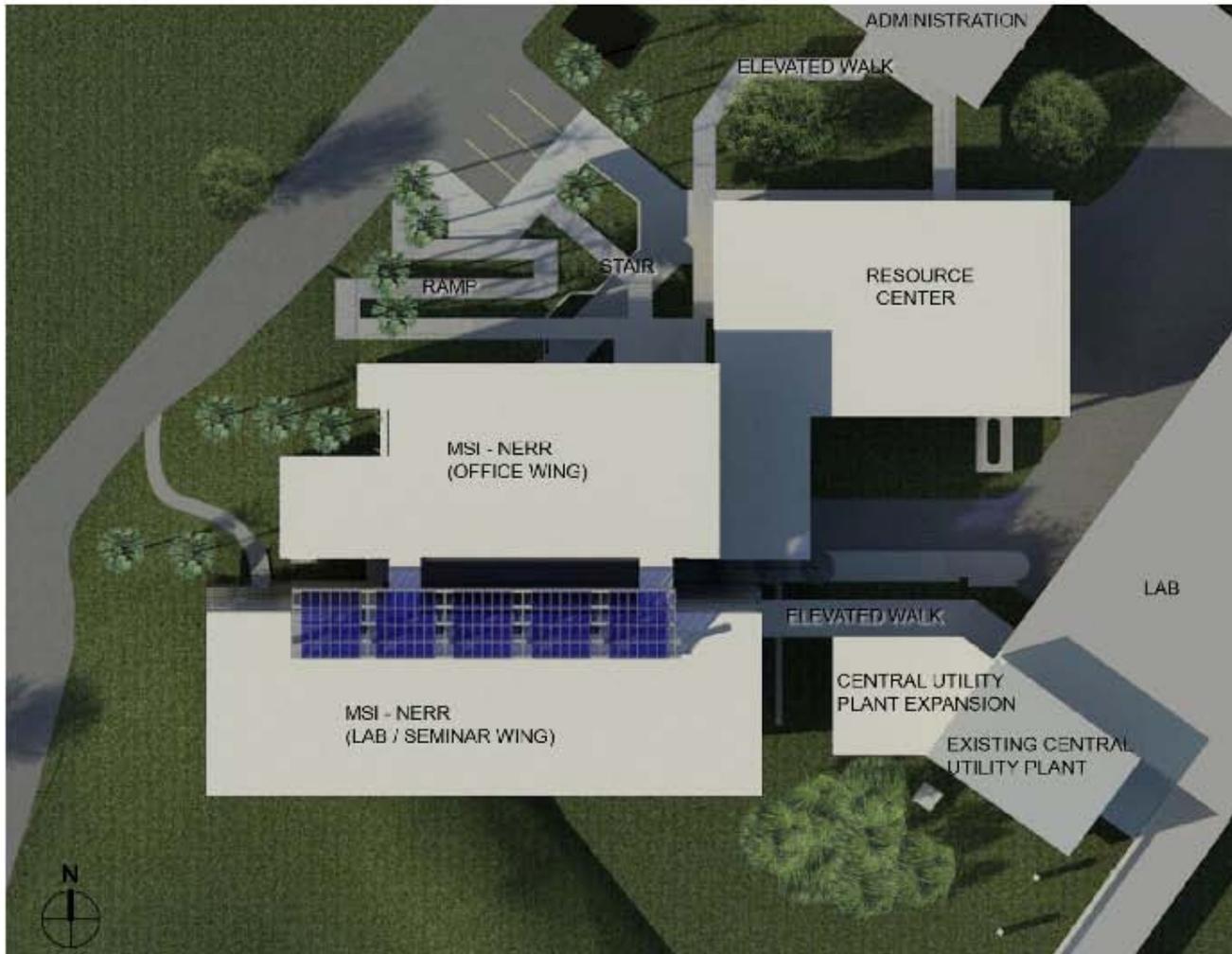




THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion

Site Plan





THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion

View from Northwest





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The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion

View from Southwest





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The University of Texas at Austin MSI-NERR Headquarters and Laboratory Expansion

Total Project Cost is \$21,350,000 with funding of \$795,000 from Gifts, \$9,475,000 from Grants, \$1,600,000 from Available University Funds, and \$9,480,000 from Revenue Financing System Bond Proceeds

Investment Metrics:

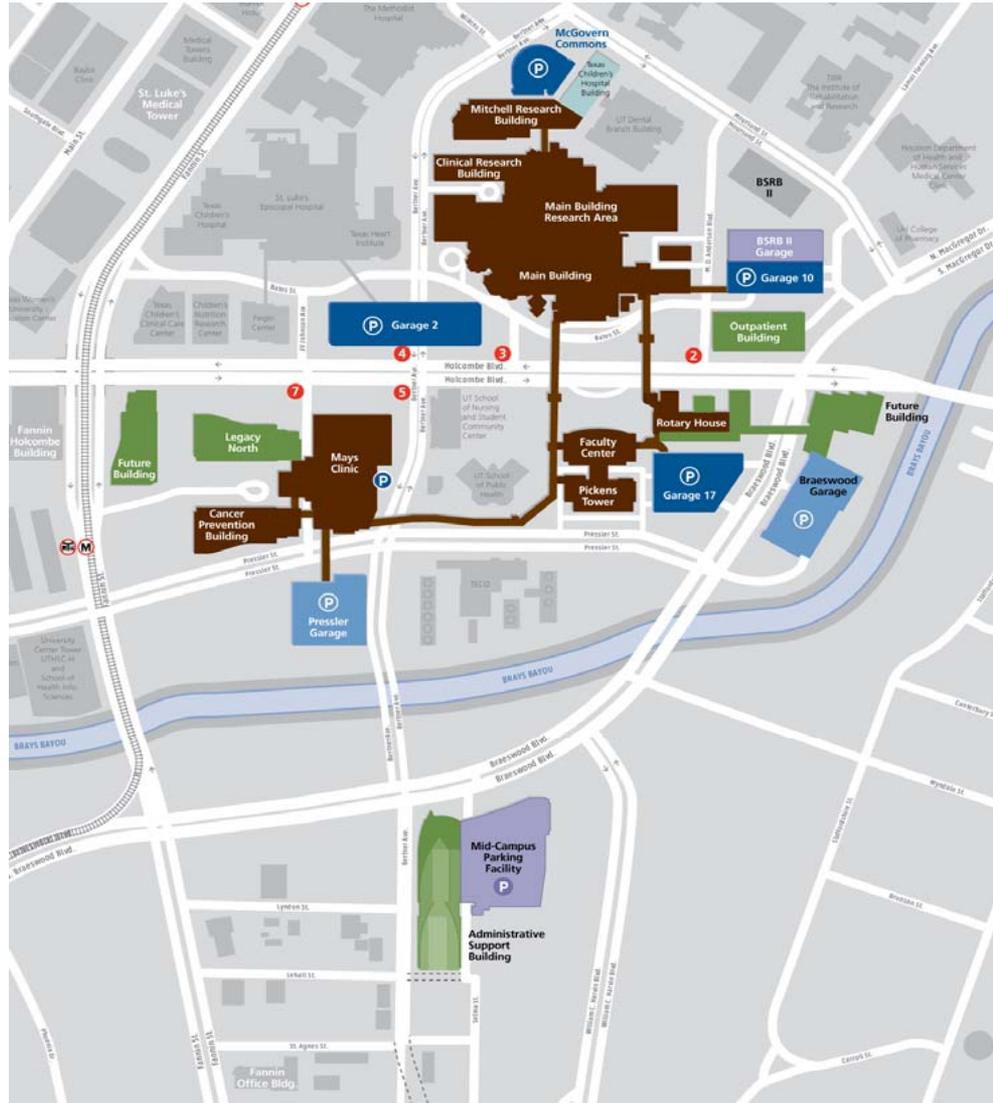
- Enable NERR program to work with regional groups and local communities on natural resource management issues such as pollution, invasive species, and habitat restoration by 2010
- Development of programs to work with K-12 will be enhanced by this project allowing actual field research exercises and assisting grade school teachers in establishing marine science programs within their education system through professional development programs by 2010
- Expansion will include new offices and laboratories to accommodate additional faculty at MSI by 2010



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The University of Texas M. D. Anderson Cancer Center Mid Campus Parking Facility

Location Map





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The University of Texas M. D. Anderson Cancer Center Mid Campus Parking Facility

View from Northeast

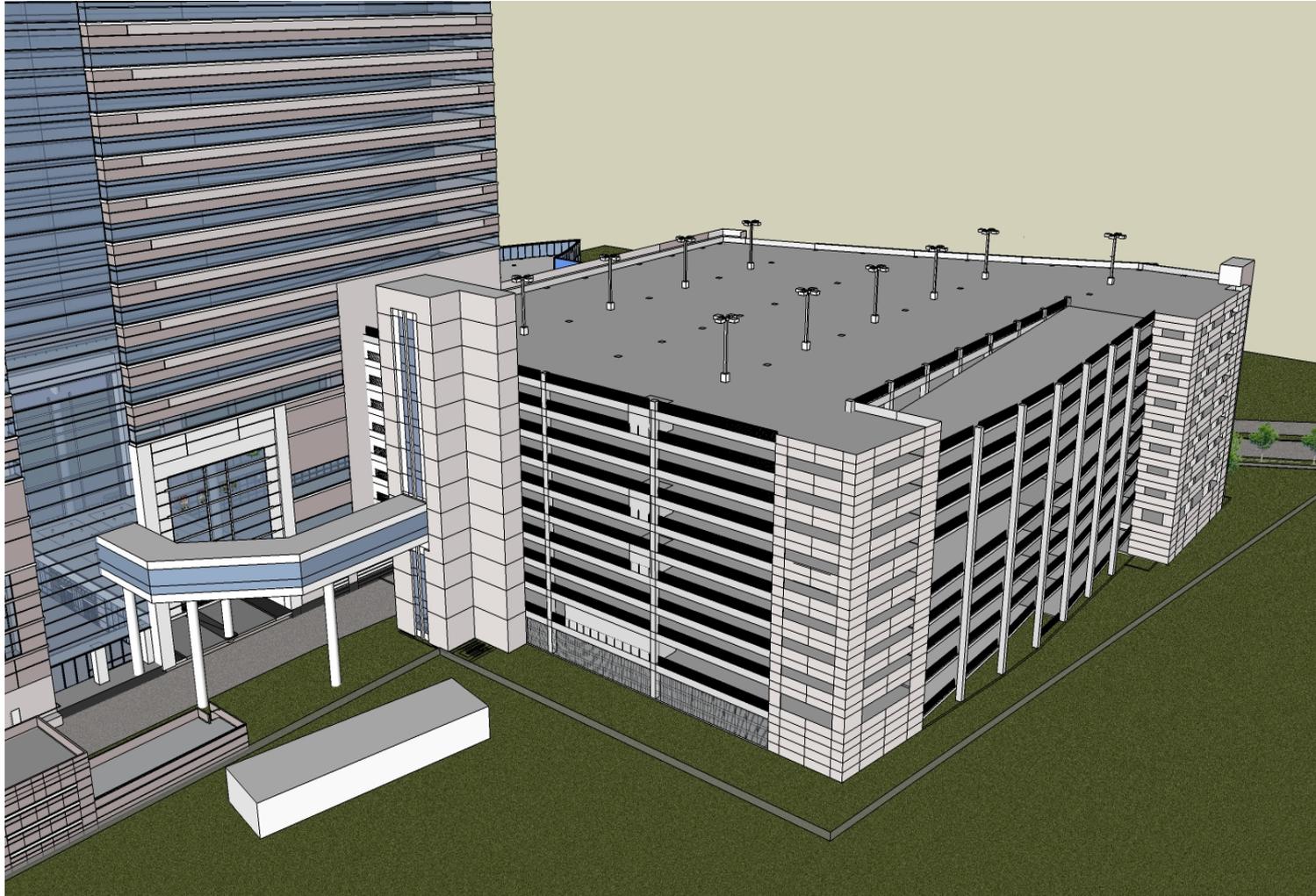




THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas M. D. Anderson Cancer Center Mid Campus Parking Facility

View from Southeast





THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas M. D. Anderson Cancer Center Mid Campus Parking Facility

Total Project Cost is \$47,232,000 with funding of \$12,232,000 from Hospital Revenues and \$35,000,000 from Revenue Financing System Bond Proceeds

Investment Metrics:

- 39 • Project fulfills the requirements of the City of Houston’s “Parking Management Agreement” by providing 2,546 parking spaces for the Administrative Support Building
- Project incorporates a “Space Availability Display” system, providing drivers with actual capacity filled information, resulting in a higher use rate. It provides drivers with space availability and location allowing for less idle time, reducing emissions, fuel usage, saving time and reducing garage congestion.
- Project will increase the available parking for the Mid Campus area for faculty, staff and visitors by 2012.



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The University of Texas Health Science Center at Tyler Academic Center - Phase I

Campus Aerial





The University of Texas Health Science Center at Tyler Academic Center - Phase I

Site Plan





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The University of Texas Health Science Center at Tyler Academic Center - Phase I

Level 1 Floor Plan Cancer Area

Connector / Lobby

Medical Oncology

Radiation Oncology

Level 2

Family Medicine (Shell)

Level 3

Academic Center (Shell)





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The University of Texas Health Science Center at Tyler Academic Center - Phase I

View from Southeast



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THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas Health Science Center at Tyler Academic Center - Phase I

View from East



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THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas Health Science Center at Tyler Academic Center - Phase I

Total Project Cost is \$42,000,000 with funding of \$21,120,000 from Tuition Revenue Bond Proceeds, \$10,000,000 from Permanent University Fund Bond Proceeds, \$5,880,000 from Revenue Financing System Bond Proceeds, and \$5,000,000 from Designated Funds

45

Investment Metrics:

- Provide educational facilities of 180 seat amphitheatre and five classrooms by 2011
- Provide educational, research, and clinical facilities to increase the number of family medicine residents from 21 to 30 by 2011
- Provide clinical facilities for a new program in radiation oncology and expand infusion therapy services by 2011



THE UNIVERSITY of TEXAS SYSTEM
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The University of Texas M. D. Anderson Cancer Center Pawnee Infrastructure Development

Action – Increase Total Project Cost from \$4,000,000 to \$7,700,000 with funding from Hospital Revenues

Justification – Scope of work on the roadway portion of the project has increased from 40 feet wide with approximately 1,000 linear feet to 48 feet wide with approximately 1,750 linear feet, also increasing the cost for infrastructure utilities; additional scope includes a new railroad crossing and a new traffic signal at the Almeda Road and Hepburn Street intersection as required by the City of Houston

Substantial Completion – May 2010

CIP Modification



CIP Changes

■ CIP Additions	\$127,000,000
■ CIP Changes including DD	<u>\$ 39,462,000</u>
■ Total Change in CIP	\$166,462,000

- This represents a 1.9% increase for a total of \$8.8 billion

MINUTES
U. T. System Board of Regents
Student, Faculty, and Staff Campus Life Committee
May 13, 2009

The members of the Student, Faculty, and Staff Campus Life Committee of the Board of Regents of The University of Texas System convened at 5:15 p.m. on Wednesday, May 13, 2009, in the Meeting Room on the 2nd Floor of Ashbel Smith Hall, The University of Texas System, 201 West Seventh Street, Austin, Texas, with the following participation:

Attendance

Regent Dannenbaum, presiding
Regent Gary
Regent Hicks
Regent Stillwell

Also present were Regent Dower; Mr. Michael Swindle, Chair, Employee Advisory Council (EAC); Mr. Aaron Rosas, Chair, Student Advisory Council (SAC); Assistant General Counsel to the Board Rabon; and Executive Director Martinez.

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

1. U. T. System: Annual Meeting with Officers of the U. T. System Student Advisory Council (SAC)

Committee Meeting Information

Presenter(s): Mr. Aaron Rosas, Chair; Ms. Christina Gomez (in absence of Ms. Kerrie Ambort), Academic Affairs; Mr. Raghuvveer Puttagunta, Student Involvement and Campus Life Committee; Mr. Bradley Carpenter, Health and Graduate Affairs Committee; Mr. Keshav Rajagopalan, Financial and Legislative Affairs Committee

Status: Reported

Future actions:

1. Chancellor Cigarroa questioned the matter of liability in the case of someone who has been disciplined seeks litigation and suggested he ask the Office of General Counsel to provide guidance on protecting student rights by keeping the student's name anonymous and keeping the role of the student committee member as advisory. (SAC Recommendation 1)
2. Ask presidents to inquire about students' desire for assistance with financial literacy and financial management. For example, take some best practices to campus student services committees for consideration. (SAC Recommendation 3)
3. Chancellor Cigarroa will discuss the recommendation regarding sustainability practices with Mr. O'Donnell and the presidents. (SAC Recommendation 6)
4. Regent Dower suggested SAC presentations be scheduled earlier in the meeting day so as not to give the impression of being under time constraints.

Discussion at meeting:

Recommendation 1

The U. T. System Student Advisory Council is concerned that students may not be adequately involved in academic integrity disciplinary proceedings.

Ms. Gomez explained the recommendation, suggesting the presence of a student(s) as a peer on the disciplinary advisory committee would be helpful to the process. Regent Gary spoke positively of a similar situation he experienced and Regent Dower asked if this would apply to all types of discipline or only to academic integrity and Ms. Gomez answered for right now, just academic integrity. Regent Dower also raised the issue of privacy in disciplinary proceedings and Ms. Gomez and Mr. Rosas discussed the advisory nature of the committee that could, for instance, report to the Dean of Students or an overseeing faculty body. Mr. Rosas pointed out the proposal is that the student committee member would serve in an advisory capacity to the committee, such as proposing just punishment, but the student committee member would not have access to identifying information of the student being disciplined.

Chancellor Cigarroa questioned the matter of liability in case a student who has been disciplined seeks litigation. He suggested he ask the Office of General Counsel (OGC) to provide guidance on protecting student rights by keeping the student's name anonymous and keeping the role of the student committee member as advisory. Dr. Shine said that OGC issued a formal opinion about a similar situation at one of the health institutions. The opinion stated that a student is entitled to representation by legal counsel if the student is working on an authorized institutional committee. Regent Stillwell asked if the student received an exemption, and Dr. Shine replied probably not, most likely due to the advisory nature of the student's position on the committee.

Regent Stillwell also asked if the SAC is responding to a current situation where students are excluded or underrepresented and Ms. Gomez replied that students are not presently included in the disciplinary process and that the goal is to get them included.

Recommendation 2

We recommend that the Board of Regents reinforce syllabi guidelines at all U. T. System academic institutions.

Executive Vice Chancellor Prior responded to the recommendation by saying the presidents are working to make syllabi public before registration, with complete syllabi to be presented on the first day of class. Dr. Prior indicated the Governor's Higher Education reforms recommend making syllabi available online and that is the direction the U. T. System institutions are headed, as appropriate. While the recommendation is more geared to the academic institutions, Executive Vice Chancellor Shine said the health institutions are attempting the same approach, with some flexibility to amend the syllabus as needed. He also expressed concern that students might not go to class if they have a complete syllabus ahead of time but Ms. Gomez thought that would not be a reason not to go to class. Regent Dower,

Committee Chairman Dannenbaum, and Dr. Prior discussed the desire for faculty to be able to revise the syllabi during the course of the year based on, for example, current events.

Tuition Flexibility and Need-based Financial Aid Resolution

Mr. Rajagopalan said the first recommendation of the Financial and Legislative Affairs Committee was related to the Tuition Flexibility and Need-based Financial Aid Resolution adopted by the SAC in February 2009 and forwarded on February 17, 2009, to Chancellor Cigarroa and former Board Chairman Caven. (The letter containing the resolution is attached on Pages 5 - 6 of these Minutes.) Chancellor Cigarroa thanked the SAC for testifying before the 81st Legislature on tuition flexibility.

Recommendation 3

The U. T. System Student Advisory Council recommends that each institution establish a service that educates the student population on financial literacy and financial management matters.

Chancellor Cigarroa expressed agreement with this recommendation and, in response to Regent Dannenbaum's question, Mr. Rajagopalan and Regent Dower provided examples of similar programs at other institutions. Regent Stillwell asked who dispenses the advice and Regent Dower provided the name of a bank as an example, but said the subject matter experts do not get involved in investment advice; rather they work to provide students with budget skills and the like. Regent Dannenbaum questioned if students would agree to a small cost to fund a good service program and Dr. Prior suggested asking the presidents for input. Presidents Daniel (U. T. Dallas) and Mabry (U. T. Tyler) said they could take up the matter with the student services committees at their institutions. President Daniel also suggested taking some best practices to these committees for consideration.

Recommendation 4

We recommend that U. T. System consider the recent health insurance survey results when negotiating the bidding process for student health insurance contracts and services provided through these policies.

Regent Stillwell suggested communicating with parents to educate them on the availability and choices of healthcare available to their sons and daughters and Regent Hicks suggested review of the matter as a marketing issue. Regent Dannenbaum suggested the matter of eligibility for health insurance with a pre-existing condition be addressed.

Recommendation 5

We recommend the Board of Regents ensure mechanisms are in place following a state of emergency that allow displaced students to receive adequate medical help and student services at any of the U. T. System campuses. We also recommend that while this policy is in effect, it is well communicated to all involved students and healthcare administrators.

Dr. Shine agreed with the recommendation and said he has asked U. T. Medical Branch – Galveston to come forward with some policies to vet with other campuses.

Recommendation 6

We recommend that The University of Texas System:

- **take a more concerted action to promote environmentally responsible practices on each campus**
- **create an assessment tool for evaluating each institution to gauge and promote progress towards environmentally responsible practices**
- **include students as members of the U. T. System Sustainability Steering Committee and each institution's sustainability committee**
- **increase transparency of sustainability practices by publishing progress reports on institutional and U. T. System websites on an annual basis**

Chancellor Cigarroa said the U. T. System has a Sustainability Policy and he will discuss the recommendations with Associate Vice Chancellor O'Donnell and the presidents.

ADJOURNMENT

Regent Dower suggested the SAC presentations not be scheduled last in a long day of meetings to avoid the impression there is a time constraint. He noted the SAC holds a series of meetings throughout the year to develop the recommendations, which culminate in this annual meeting with the Board.

Committee Chairman Dannenbaum reported this is Regent Dower's last meeting as a Student Regent and he thanked Mr. Dower for his participation in this committee and wished him well in his studies in law school.

Committee Chairman Dannenbaum adjourned the meeting at 6:15 p.m.



The University of Texas System
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Office of Academic Affairs
601 Colorado Street, Austin, TX 78701
Phone: (512) 499-4233, Fax: (512) 499-4240

February 17, 2009

Mr. H. Scott Caven, Jr.
Chairman, Board of Regents
The University of Texas System
201 W. 7th St., Suite 820
Austin, TX 78701-2981

Francisco G. Cigarroa, M.D.
Chancellor
The University of Texas System
601 Colorado Street
Austin, TX 78701-2981

Dear Chairman Caven and Chancellor Cigarroa,

As Chair of the UT System Student Advisory Council (SAC), I am writing to you today to formally introduce a resolution on behalf of the council. In our February meeting, the council passed one resolution that we would like to pass on to you prior to our presentation of our recommendations in May. Please find the wording of the resolution below. The resolution is concerning Tuition Flexibility and Need-Based Financial Aid.

**TUITION FLEXIBILITY AND NEED-BASED
FINANCIAL AID RESOLUTION**

The UT System Student Advisory Council recommends that the UT System Board of Regents continue to support tuition flexibility and actively recognize the importance of state and federal need-based financial aid.

We understand the need for and are in full support of tuition deregulation. The ability for an institution to set its own tuition is paramount in today's climate of less-than-acceptable state funding for higher education. In order for our institutions to maintain their excellence and improve their programs, tuition flexibility is an important tool for them to have. It allows them to assess their own needs and set tuition in a transparent and accountable manner that includes students.

www.utsystem.edu

The UT System is also committed to maintaining educational accessibility for students and their families from any socio-economic background. Therefore, UT SAC recommends the UT System Board of Regents actively recognize the importance of need-based financial aid and pursue greater funding for need-based financial aid programs, both state and federal.

The resolution passed unanimously in favor of tuition flexibility. We look forward to presenting the remainder of our recommendation at the Board of Regents meeting in May. Please feel free to contact me if you have any questions. Thank you for your support.

Sincerely,

/s/

Aaron Rosas
2008-2009 UT System SAC Chair
The University of Texas at El Paso
915 474-0220

AR/plc

Cc: Dr. David Prior, Executive Vice Chancellor for Academic Affairs
Kenneth Shine, M.D., Executive Vice Chancellor for Health Affairs
Dr. James Studer, Associate Vice Chancellor for Academic Affairs
Ms. Francie Frederick, General Counsel to the Board of Regents
Dr. Edward Baldwin, Senior Policy Analyst, Academic Affairs