



**SCHEDULE OF EVENTS
FOR
BOARD OF REGENTS' MEETING**

**November 14, 2013
Austin, Texas**

*U. T. System Administration, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street
Office of the Board of Regents: 512.499.4402*

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| Audit, Compliance, and Management Review Committee | 8:30 a.m. |
| Finance and Planning Committee | 9:15 a.m. |
| Academic Affairs Committee | 10:00 a.m. |
| Health Affairs Committee | 10:45 a.m. |
| Executive Session (working lunch) | 11:45 a.m. |
| Facilities Planning and Construction Committee | 1:00 p.m. |
| Meeting of the Board - Open Session | 1:45 p.m. |
| Break | 2:45 p.m. |
| Meeting of the Board <i>with the Employee Advisory Council</i> | 3:00 p.m. |
| Technology Transfer and Research Committee | 4:00 p.m. |
| Adjourn | 4:45 p.m. |



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

**November 14, 2013
Austin, Texas**

Board Meeting Page

Committee Meetings

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|---|------------|
| <i>Audit, Compliance, and Management Review Committee</i> | 8:30 a.m. |
| <i>Finance and Planning Committee</i> | 9:15 a.m. |
| <i>Academic Affairs Committee</i> | 10:00 a.m. |
| <i>Health Affairs Committee</i> | 10:45 a.m. |

CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 (working lunch) 11:45 a.m.

1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

U. T. Austin: Discussion and appropriate action regarding authorization for the master development, ground leasing, and related partial sales pertaining to approximately 109 acres and improvements located at the southwest corner of West Braker Lane and North MoPac Expressway, Austin, Travis County, Texas, to Hines Interests Limited Partnership, a Delaware limited partnership, or a related entity, for commercial development purposes

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**
 - b. **U. T. Austin: Discussion and appropriate action regarding legal issues concerning potential assumption of loan agreements related to recruitment or retention programs administered by the Law School Foundation**
 - c. **U. T. System Board of Regents: Discussion with Counsel and appropriate action regarding legal issues related to matters to be considered by the Select Committee on Transparency in State Agency Operations of the Texas House of Representatives**
3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073
 - a. **U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**
 - b. **U. T. Dallas: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**
 - c. **U. T. San Antonio: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**
 - d. **U. T. Tyler: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

| | Page | |
|--|---|----|
| e. U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features | | |
| 4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074 | | |
| a. U. T. System: Discussion regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees | | |
| b. U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed terms of employment of individual as Executive Vice President and Chief Business and Finance Officer (Regents' Rules and Regulations, Rule 20204, regarding highly compensated employees) | | |
| Committee Meeting | | |
| <i>Facilities Planning and Construction Committee</i> | 1:00 p.m. | |
| RECONVENE THE BOARD IN OPEN SESSION | 1:45 p.m. | |
| CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS | 1:46 p.m. | |
| STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD | 1:50 p.m. | |
| CONSIDER AGENDA ITEMS | 2:00 p.m. | |
| 1. U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee | 2:00 p.m. Action | 5 |
| 2. U. T. System Board of Regents: Proposed appointment to the Board of Directors of The University of Texas Investment Management Company (UTIMCO) | 2:05 p.m. Action | 6 |
| 3. U. T. System: Allocation of \$265.6 million of Permanent University Fund Debt Proceeds for capital projects: | 2:10 p.m. Action | 7 |
| • U. T. South Texas Project: Academic Campuses | | |
| • U. T. Health Science Center - San Antonio: South Texas Medical Academic Building | | |
| • U. T. Southwestern Medical Center: West Campus – Phase 1 | | |
| • U. T. Austin: Texas Advanced Computing Center | | |
| • U. T. Arlington: Arlington Regional Data Center | | |
| • U. T. M. D. Anderson Cancer Center: Houston Data Center | | |
| 4. U. T. Austin: Allocation of \$2 million of Available University Funds (AUF) for the Texas Advanced Computing Center (TACC) | 2:30 p.m. Action <i>Dr. Hurn</i> | 11 |

| | | Page |
|--|--|-------------|
| 5. U. T. System: Discussion and appropriate action regarding the U. T. System Research Incentive Program for the Comprehensive Universities | 2:35 p.m. Action <i>Chancellor Cigarroa</i> | 12 |
| BREAK | 2:45 p.m. | |
| 6. U. T. System: Annual Meeting with Officers of the U. T. System Employee Advisory Council | 3:00 p.m. | 14 |
| Committee Meeting <i>Technology Transfer and Research Committee</i> | 4:00 p.m. | |
| ADJOURN | 4:45 p.m. <i>approximately</i> | |

1. **U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda items located at the back of the book under the Consent Agenda tab.

2. **U. T. System Board of Regents: Proposed appointment to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

Chairman Foster will make a recommendation at the meeting concerning a Regental appointment to the Board of Directors of The University of Texas Investment Management Company (UTIMCO).

BACKGROUND INFORMATION

Texas Education Code Section 66.08 and Regents' *Rules and Regulations*, Rule 10402, Section 4 require that the U. T. System Board of Regents appoint seven members to the UTIMCO Board of Directors of whom three must be members of the Board of Regents, three must have a substantial background and expertise in investments, and one must be a qualified individual who may be the Chancellor.

The appointment of Regent Alex Cranberg to the UTIMCO Board of Directors was approved by the U. T. Board on September 12, 2013. Regent Cranberg subsequently asked that the Chairman recommend a substitute appointment and note that he did not begin active service as a UTIMCO director.

3. U. T. System: Allocation of \$265.6 million of Permanent University Fund Debt Proceeds for capital projects

- **U. T. South Texas Project: Academic Campuses**
- **U. T. Health Science Center - San Antonio: South Texas Medical Academic Building**
- **U. T. Southwestern Medical Center: West Campus – Phase 1**
- **U. T. Austin: Texas Advanced Computing Center**
- **U. T. Arlington: Arlington Regional Data Center**
- **U. T. M. D. Anderson Cancer Center: Houston Data Center**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve the allocation of \$265.6 million of Permanent University Fund (PUF) Debt Proceeds as follows:

| | |
|---|----------------------|
| U. T. South Texas Project: Academic Campuses | \$142,000,000 |
| U. T. Health Science Center - San Antonio: South Texas Medical Academic Building | 54,000,000 |
| U. T. Southwestern Medical Center: West Campus – Phase 1 | 50,000,000 |
| U. T. Austin: Texas Advanced Computing Center | 10,000,000 |
| U. T. Arlington: Arlington Regional Data Center | 6,500,000 |
| U. T. M. D. Anderson Cancer Center: Houston Data Center | <u>3,100,000</u> |
| | \$265,600,000 |

BACKGROUND INFORMATION

U. T. South Texas Project - Academic Campuses: \$142 million

Of the proposed PUF allocation for the U. T. South Texas Project, \$70 million will be used for a new science building in Hidalgo County, to be built on the existing U. T. Pan American campus, for the benefit of the new university in South Texas. The facility will serve students throughout the region. This allocation will fund a portion of the costs to construct approximately 120,000 additional net assignable square feet to support various STEM disciplines, including biology, physics, chemistry, math, pre-med, and environmental studies.

The facility will provide much needed instructional and research lab and classroom space to increase instruction efficiency and to enhance the educational opportunities for all students of the new U. T. System institution.

The building will be constructed with new learning technologies enabling students to benefit through the use of interactive technology regardless of their physical location. The project will be developed collaboratively with faculty from both U. T. Pan American and U. T. Brownsville and will focus on technology linking the campuses so that instruction may be delivered simultaneously to students at either campus.

A total of \$72 million in PUF allocations for the Cameron County campus of the new university in South Texas will be utilized for capital improvements and for costs to the U. T. System associated with the acquisition of facilities from Texas Southmost College resulting from the recent separation.

Of the PUF allocations for the Cameron County campus, \$54 million will be used to fund an academic building comprising approximately 140,000 gross square feet (GSF). The development of the Cameron County campus is greatly needed to accommodate the anticipated number of students, which will include existing students of U. T. Brownsville, who by statute are entitled to admission to the new university. As a result of the U. T. Brownsville/Texas Southmost College separation, the U. T. Brownsville campus has space to accommodate only 3,400 students, and with its current enrollment over 8,600, the campus has leased space to manage the deficit. Construction of this new academic building will begin to alleviate the need for leased classroom space.

As with the allocation of funding for the new science building to be built on the existing U. T. Pan American campus, this academic facility for the new university will also be constructed to adapt to the new learning realities and serving students at two campuses.

The remaining \$18 million will be used to pay for a portion of the costs to the U. T. System associated with the acquisition of facilities in the separation between U. T. Brownsville and Texas Southmost College, as approved by the Board of Regents on July 10, 2013.

The Office of Academic Affairs will work collaboratively with the Office of Facilities Planning and Construction before the design and development recommendations are brought forth to the Board for approval. Once a Campus Master Plan has been created for the new university in South Texas, one of the initial tasks of the successful firm will be the development of a coordinated and integrated plan for use of technology to bridge learning opportunities for students whether they are at the Hidalgo County or Cameron County campuses of the new university.

Furthermore, this academic facility will be constructed to adapt to the new learning realities and the fact that these facilities will serve two campuses. These facilities will be built with new learning technologies so that students can take courses from the faculties of both campuses through the use of interactive technology. For example, the instruction in physics may come from the Cameron County campus to all students. On the other hand, instruction in chemistry may come from the Hidalgo County campus to all students.

Moreover, the Offices of Academic Affairs and Facilities Planning and Construction will be very much involved in these projects before the design and development for both buildings are brought forth to the Board for approval. Once a Campus Master Plan for the development of the University of Texas in South Texas is created, one of the initial tasks of the successful firm will be the development of a coordinated and integrated plan to use technology for these two new proposed facilities at the Hidalgo County and Cameron County campuses of the new university in South Texas.

U. T. Health Science Center - San Antonio - South Texas Medical Academic Building: \$54,000,000 (See Item 7 on Page 139 of the Facilities Planning and Construction Committee)

This project will advance the goal to expand medical education as outlined in the Chancellor's Framework for Advancing Excellence throughout the U. T. System. The 88,000 gross square feet of space will be devoted to teaching facilities that promote faculty and student interaction at the earliest stages of medical school. There will be lecture halls that can be converted to smaller breakout rooms for multiprofessional education and simulated patient cases. There will be multiple small classrooms and seminar rooms for small group problem solving and "flipped classrooms." The building will include an auditorium, digital library, clinical skills center for sophisticated testing of students' knowledge, skills, and values, preclinical M.D. labs, and an anatomy teaching facility. Consistent with accrediting body requirements, there will be a student lounge and study space. The building will make extensive use of online and distance learning as part of a region-wide Medical School interacting with and complementing facilities at Harlingen and Brownsville as well as supporting continuing professional education in the region. The plan is designed to complete the building in time to matriculate the first medical school class in the Summer/Fall 2016. The building will house core administrative facilities for the Dean's Office and approximately 30 faculty members. It will be constructed on an area of the U. T. Pan American campus that is adjacent to the medical research building previously constructed as part of the Regional Academic Health Center (RAHC). Its location is consistent with the campus plan for creation of a medical/health professions education and research complex. The building will become part of the new university in South Texas when that University is established.

U. T. Southwestern Medical Center - West Campus – Phase 1: \$50,000,000

The \$50 million PUF allocation for U. T. Southwestern will be used to fund a portion of the West Campus – Phase 1 project. As part of U. T. Southwestern's journey to a Top Ten comprehensive academic medical center, the West Campus – Phase 1 project will provide a unique opportunity to develop innovative educational space and expanded clinical programs and services. The project includes the construction of an 11-story, 275,000 gross square foot building -- 137,500 GSF for academic space, including multidisciplinary education space for all health professions and a high-tech simulation center, training/meeting rooms and faculty offices; and 137,500 GSF for outpatient clinic expansion for faculty practice. The building would bring academic space and faculty offices in close proximity to existing ambulatory and inpatient services. Also, Phase 1 would include demolition of St. Paul Hospital, a new central utility plant, and parking as the first step in a 20-year reinvestment plan on the West Campus site.

Recent reports from the Texas Higher Education Coordinating Board indicate that U. T. Southwestern has one of the largest space deficits of any health-related institution, and this project represents a critical investment in the institution's core academic and education mission and interface with the health care system.

The \$50 million in PUF represents less than 30% of the estimated \$187 million total project cost for Phase 1. Remaining funds will come from Revenue Financing System bonds, institutional funds, and philanthropy.

U. T. Austin - Texas Advanced Computing Center (TACC): \$10,000,000

The \$10 million PUF allocation for U. T. Austin will be used to design and construct an annex to the current Texas Advanced Computing Center (TACC) building. The PUF funding will match and be contingent upon a challenge grant of \$10 million that has been offered to U. T. Austin.

The TACC at U. T. Austin has grown to become one of the leading supercomputing centers supporting open scientific research in the world. TACC supports over 1,000 research projects at U. T. Austin, throughout the U. T. System, and across the nation. It has attracted over \$200 million in federal grants and vendor contributions, and has enabled the faculty and researchers at U. T. Austin and other U. T. System institutions to leverage TACC resources and expertise to execute research projects of even greater total funding. TACC has brought great prestige to U. T. Austin, helping to recruit some of the highest profile faculty and researchers in recent years. TACC's support of research throughout the U. T. System is increasing significantly, with plans for a larger follow-on program to the U. T. Research Cyberinfrastructure (UTRC) project that would greatly expand the impact over the next several years. The area of greatest growth and impact for TACC technologies and expertise is likely to be at the health institutions, as biomedical research, and even clinical and health care programs, embrace advanced computing technologies to design more effective drugs, to develop more successful treatments, and to deliver improved health care.

However, TACC's ability to compete for and secure external funding, and to help more faculty and researchers at U. T. Austin and throughout the U. T. System attract more funding, will be limited by its existing space and facilities. TACC will exhaust its capacity for hiring additional researchers by 2014. Without this space, TACC cannot pursue external funding opportunities requiring additional staff. TACC has already been forced to reclaim space intended for students, thus preventing the pursuit of large educational programs such as the NSF's "Research Experience for Undergraduates" (REU) center proposals. TACC also has to reject all requests for visiting faculty/researchers to have sabbaticals at TACC; the implications of this are missed opportunities for collaborative proposals, as well as for potential future hires. Ideally, TACC would add offices for 30-40 more staff and up to 10 visitors, and would add 20-30 student spaces, as well as at least two more conference rooms.

Regional Data Centers: \$9,600,000

The \$9.6 million PUF allocation will be used to provide capital support for regional data centers. Of the total, \$6.5 million will be used to purchase and install two additional diesel generators, an additional commercial power feed, and electrical distribution and switching to provide Tier III capabilities for the Arlington Regional Data Center. The remaining \$3.1 million will be used to fund design and construction services to upgrade the generator controllers and install new emergency parallel switch gear, automatic transfer switches, distribution boards and a Power Control Monitoring System at the Houston Data Center. As part of the project, the CenterPoint Energy transformers will be elevated above the 500-year floodplain.

4. **U. T. Austin: Allocation of \$2 million of Available University Funds (AUF) for the Texas Advanced Computing Center (TACC)**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Research and Innovation that the U. T. System Board of Regents approve the allocation of \$2 million of Available University Funds (AUF) for the Texas Advanced Computing Center (TACC) at U. T. Austin. With computing and storage becoming increasingly important to science, engineering, and to the medical research within the new U. T. medical schools at Austin and in South Texas, the allocated funding will provide continuation of support for TACC staff dedicated to the U. T. Research Cyberinfrastructure (UTRC).

See Item 3 on Page 7 requesting allocation of Permanent University Funds for the TACC.

BACKGROUND INFORMATION

The TACC has been integral to the development of advanced computing and storage initiatives that are part of the UTRC. TACC has established powerful services for researchers at all U. T. System institutions, enabled by the Lonestar supercomputing system and the Corral storage system (with full replication of the Corral system at U. T. Arlington). Researchers at U. T. System institutions have already used 20 million cycle-hours of computing time on Lonestar in 2013, and there are 130 projects using storage on the Corral storage system. These facilities have enabled over 100 publications of new discoveries.

The dedicated funds will support TACC personnel to carry out the following components:

- 1) Continuation of the successful 'Bring Your Own Code & Data' workshops at U. T. System institutions, which provide detailed training in advance computing and large scale data projects.
- 2) Focused collaborative support for major research projects in partnership with the National Science Fund supported eXtreme Science & Engineering Discovery Environment (XSEDE) project, in which computational and data experts partner with leading research teams to accelerate usage of advanced resources leading to new discoveries.
- 3) Further implementation of services on the compute and storage platforms, including a focus on security and federal compliance standards that will allow storage and analysis of health care data. These platforms will serve the new medical schools at U. T. Austin and in South Texas. Computing cloud interfaces will be advanced, as will remote visualization of large data sets.
- 4) Introduction of new capabilities to the UTRC through multiple new systems that complement Lonestar and Corral.

5. **U. T. System: Discussion and appropriate action regarding the U. T. System Research Incentive Program for the Comprehensive Universities**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for External Relations, recommends that \$1,000,000 of Permanent University Fund (PUF) Bond Proceeds be appropriated to provide funding for the U. T. System Research Incentive Program for the Comprehensive Universities to build and enhance research infrastructure at the four Comprehensive Universities of the U. T. System: U. T. Brownsville, U. T. Pan American, U. T. Permian Basin and U. T. Tyler. If U. T. Brownsville and/or U. T. Pan American are merged, reorganized, consolidated or replaced by statute or otherwise, then U. T. System Research Incentive Program for the Comprehensive Universities will be applied for the use and benefit of the successor entity resulting from such merger, reorganization, consolidation or replacement, in place of U. T. Brownsville and/or U. T. Pan American.

The U. T. System Research Incentive Program for the Comprehensive Universities will provide one-time matching funds to assist the U. T. System Comprehensive Universities identified above in leveraging private gifts for the enhancement of research productivity and faculty recruitment. Per the Texas Constitution, PUF Bond Proceeds may only be used to fund capital and equipment items related to the educational mission of the U. T. System and its institutions. The gifts will be matched using the following criteria:

- Gifts of \$25,000 to \$99,999 from a single source will be matched at 20% (creating a matching gift possibility ranging from \$5,000 to \$19,999.80)
- Gifts of \$100,000 to \$249,999 from a single source will be matched at 30% (creating a matching gift possibility ranging from \$30,000 to \$74,999.70)
- Gifts of \$250,000 or greater from a single source will be matched at 50%, but no gift amount will be matched with more than \$250,000

U. T. System Administration will assist the eligible U. T. System institutions to record and accept the gifts. The program is proposed to begin on November 15, 2013, and will last for 12 calendar months or until all funds are awarded, whichever comes first.

BACKGROUND INFORMATION

Following the successful results of the Texas Research Incentive Program (TRIP) created by the 81st Legislature and the U. T. System Research Incentive Program (UTrip), authorized by the U. T. System Board of Regents on October 12, 2009, to benefit the four emerging research institutions as designated by the Texas Higher Education Coordinating Board (U. T. Arlington, U. T. Dallas, U. T. El Paso, and U. T.

San Antonio), U. T. System proposes a similar program to stimulate research-oriented, transformational gifts to the U. T. System's four Comprehensive Universities (U. T. Brownsville, U. T. Pan American, U. T. Permian Basin and U. T. Tyler). If U. T. Brownsville and/or U. T. Pan American are merged, reorganized, consolidated or replaced by statute or otherwise, then the U. T. System Research Incentive Program for the Comprehensive Universities will be applied for the use and benefit of the successor entity resulting from such merger, reorganization, consolidation or replacement, in place of U. T. Brownsville and/or U. T. Pan American.

Specifically, the U. T. System Research Incentive Program for the Comprehensive Universities will provide one-time matching funds to assist the U. T. System Comprehensive Universities to utilize private gifts for the enhancement of research productivity and faculty recruitment. U. T. System matching funds will be provided through the PUF for private gifts designated for research-oriented purposes.

The U. T. System Research Incentive Program for the Comprehensive Universities will complement the \$30,000,000 approved thus far by the U. T. System Board of Regents for the U. T. System Research Incentive Program, as well as, the August 20, 2009, U. T. System Board of Regents approval of \$30,000,000 of PUF funds for the Science and Technology Acquisition and Retention (STARs) program, \$5,000,000 in Available University Fund (AUF) appropriations for recruitment at U. T. Austin, and \$6,132,554 of AUF funds in U. T. Systemwide Microsoft license renewal costs, all aimed at hiring outstanding faculty necessary to elevate the platform of academic and research excellence across the U. T. System.

A qualifying gift is defined as all cash, cash equivalents, marketable securities, closely held securities, money market holdings, partnership interests, minerals, and life insurance proceeds designated for research purposes, and includes gifts with a payment period of up to two years. Additional gifts can be new personal or real property originally donated for research purposes that can be converted to cash.

The U. T. System Research Incentive Program for the Comprehensive Universities will be administered through the U. T. System Office of External Relations and the Office of Academic Affairs. A gift will be certified as of the date it is deposited by the institution in a depository bank or invested by the institution. A noncash gift will be certified on the date it is converted to cash. All gifts require appropriate U. T. System validation before matching funds can be confirmed. Prominent naming opportunities associated with new gifts will need authorization from the Office of External Relations and the Office of Academic Affairs, in consultation with the Board of Regents.

6. **U. T. System: Annual Meeting with Officers of U. T. System Employee Advisory Council**

REPORT

Representatives of the U. T. System Employee Advisory Council will meet with the Board to discuss the Council's past year activities according to the agenda below. Council members scheduled to attend are:

Chair 2013: Ms. W. Dennie Clemons, Network Support Specialist, Communications Services - Information Technology, U. T. Health Science Center - Houston

Vice Chair: Ms. Shawna Ridley, Director, Health Information Management, U. T. Southwestern Medical Center

Secretary: Ms. Joleen Gould, Director, Testing Services, U. T. San Antonio

AGENDA

1. Introductions
2. Reports on the accomplishments of the past year and recommendations set forth on the following page.

BACKGROUND INFORMATION

The U. T. System Employee Advisory Council (EAC) was established in August 2000 to provide a vehicle for communication and to facilitate the flow of ideas and information between and among the Board of Regents, U. T. System Administration, and the institutions. The EAC functions to define, analyze, and make recommendations on employee issues to the Board through the Chancellor.

**THE UNIVERSITY OF TEXAS SYSTEM
EMPLOYEE ADVISORY COUNCIL
REPORT
TO THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM**

The following is a brief listing of the recommendations submitted by the U. T. System Employee Advisory Council (EAC) to the U. T. System Board of Regents.

WELLNESS COMMITTEE

The primary goal of the Wellness Committee was to assist the U. T. System's Wellness Programs and Services with providing a snapshot of the health and overall health risk of the U. T. System population. A wellness dashboard was compiled using data from the Health Risk Assessment (HRA) conducted by Provant Health Solutions (PHS). The June 2013 aggregate report was utilized to identify major categories of health of employees at each institution with a dated view for comparison in future reports and to show areas of opportunities for improvement. Over 8,240 UT Select Plan members completed the HRA. Future reports can be used to show changes in health status, participation, and engagement.

EAC encourages each U. T. System Institution President to:

1. Enhance wellness communications, information, encouragement, and funding support when possible in an effort to establish and maintain a wellness committee and program.
2. Utilize the June 2013 Health Risk Assessment aggregate report to identify major categories of health of employees at each institution with a comparison in future reports that will show areas of opportunities for improvement.
3. Ensure that each institution has directed Resource Allocation Program (RAP) funds toward wellness initiatives.

WORK LIFE COMMITTEE

U. T. System should encourage each institution to assess employee satisfaction every 3-4 years. This will enhance morale, recruitment, retention, motivation, development, communication, and overall employee satisfaction. Proven resources already in use at some institutions can be made available or assistance can be provided in finding a tool beneficial for their demographics.

The assessment tool should be customizable to include specific questions for each institution's individual needs. Benchmarking tools should be used for comparisons to other institutions in hopes of finding Systemwide satisfaction issues.

RECRUITMENT AND RETENTION COMMITTEE

Over the past two years, the Recruitment and Retention Committee has worked closely with the Human Resource offices at each institution to identify the best diversity equity and to observe leadership diversity. The intention was to determine how U. T. System as a whole is doing with diversity in staff and leadership and in succession planning, which has a direct impact on recruitment and retention of valuable employees.

EAC encourages each U. T. System Institution President to:

1. Review staff diversity in leadership positions so as to assess adequate levels of diversity.
2. Unify U. T. System Human Resources Equal Employment Opportunity Code - Staff Classifications for academic and health institutions.
3. Provide support needed for Human Resources at each institution to initiate or enhance succession planning programs for employees.
4. Develop a policy on Reduction in Force, similar to the U. T. System Administration Internal Policy on Reduction in Force (INT132) whereby, in Section 9.4(c) Reemployment Procedures and special considerations are given to hiring previously displaced employees.



**TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT
REVIEW COMMITTEE**

*Brenda Pejovich, Chairman
Wallace L. Hall, Jr.
R. Steven Hicks
Jeffery D. Hildebrand
Robert L. Stillwell*

Committee Meeting: 11/14/2013

Board Meeting: 11/14/2013
Austin, Texas

| | Committee Meeting | Board Meeting | Page |
|--|--|----------------------|-------------|
| A. CONVENE <i>(Conference Room, Ashbel Smith Hall, 9th Floor)</i> | 8:30 a.m. <i>Chairman Pejovich</i> | | |
| B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 | | | |
| <i>Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - Texas Government Code Section 551.074</i> | | | |
| U. T. System: Discussion with the Chief Audit Executive concerning personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of individual System Administration and institutional officers or employees involved in internal audit functions | <i>Mr. Peppers</i> | | |
| C. RECONVENE IN OPEN SESSION <i>(Board Room, Ashbel Smith Hall, 9th Floor)</i> | 8:45 a.m. | | |
| 1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration | 8:45 a.m. Action | Action | 17 |
| 2. U. T. System: Update on the implementation of initiatives to address recommendations from the Report on the Strategic Assessment of the U. T. System Internal Audit Services performed by Deloitte | 8:47 a.m. Report/Discussion <i>Mr. Peppers</i> | Not on Agenda | 18 |
| 3. U. T. System: Report on the Systemwide internal audit activities, including results of the executive travel and entertainment, laptop encryption and IT inventory, and practice plan audits, and update on the Systemwide internal audit of development activities | 8:50 a.m. Report/Discussion <i>Mr. Peppers</i> | Not on Agenda | 19 |
| 4. U. T. System: Annual Report on Information Security Compliance Enhancements across the U. T. System and on security of the U. T. Research Cyberinfrastructure | 9:05 a.m. Report/Discussion <i>Mr. Plutko</i> <i>Mr. Watkins</i> | Not on Agenda | 20 |
| D. ADJOURN | 9:15 a.m. | | |

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. **U. T. System: Update on implementation of initiatives to address recommendations from the Report on the Strategic Assessment of the U. T. System Internal Audit Services performed by Deloitte**

REPORT

Chief Audit Executive Peppers will provide an update on implementation of initiatives developed to address the recommendations from the report on the Strategic Assessment of the U. T. System Internal Audit Services performed by Deloitte, which was presented at the May 8, 2013 Audit, Compliance, and Management Review Committee meeting. The 17 recommendations have been organized into eight key initiatives to be implemented over a three-year period as follows:

Governance

- Strengthen institutional audit committee independence and capability
- Assess Systemwide and institutional risk management
- Provide resources for governance

Processes, Resources, and Capability Development

- Organize mission and values into objectives, models, and priorities
- Enhance risk assessment methodology
- Develop audit and reporting models
- Quantify and improve team competency

Success and Sustained Quality

- Align internal audit metrics and quality program with improvement plans

3. **U. T. System: Report on the Systemwide internal audit activities, including results of the executive travel and entertainment, laptop encryption and IT inventory, and practice plan audits, and update on the Systemwide internal audit of development activities**

REPORT

Chief Audit Executive Peppers will report on the Executive Travel and Entertainment Expenses audits and the Laptop Encryption and IT Inventory audits that were conducted at U. T. System Administration and each of the U. T. System institutions. He will also report on the practice plan audits that were performed at the U. T. System health institutions. Summaries of the results for these audits were provided to the Regents prior to the meeting.

Chief Audit Executive Peppers will provide an update on the Systemwide internal audit of development activities performed by the U. T. System Audit Office. Reports for U. T. System, U. T. System Administration, and U. T. M. D. Anderson Cancer Center have been issued and were provided to the Regents prior to the meeting. He will also present the results of the U. T. Austin Law School Foundation Special Request Project conducted by the System Audit Office, for which the report was issued and previously provided to the Regents.

4. **U. T. System: Annual Report on Information Security Compliance Enhancements across the U. T. System and on security of the U. T. Research Cyberinfrastructure**

REPORT

Systemwide Compliance Officer Plutko and Chief Information Security Officer Watkins will report on Information Security Compliance Enhancements across the U. T. System and on the security of the U. T. Research Cyberinfrastructure. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

Following a November 10, 2011 report to the Board by Deloitte on its comprehensive information security compliance effectiveness review of the U. T. System, the Board approved the allocation of \$34,872,000 of Available University Funds to invest in information security compliance enhancements across the U. T. System and to secure the U. T. Research Cyberinfrastructure.

The Office of Systemwide Compliance administers the investment of these funds through a centrally managed program and is to submit annual reports on progress to the Chancellor and to the Board. This is the second Annual Report.

ANNUAL REPORT ON INFORMATION SECURITY COMPLIANCE ENHANCEMENTS

Audit, Compliance, and Management Review Committee
U. T. System Board of Regents' Meeting

November 2013

Mr. Lewis Watkins, U. T. System Chief Information Security Officer

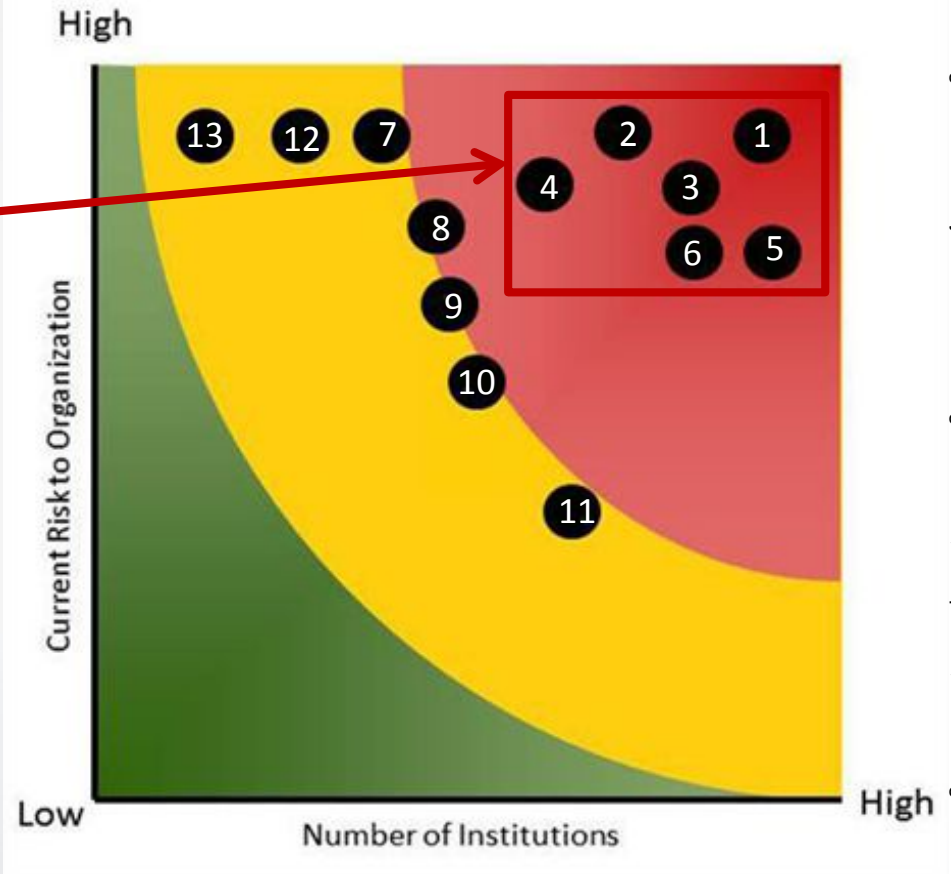


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U.T. System Common Risks

- Risk 1 - Mobile Device Security
 - Risk 2 - Decentralized IT
 - Risk 3 - Network Security
 - Risk 4 - Logging and Monitoring
 - Risk 5 - Disaster Recovery
 - Risk 6 - Inconsistent Risk Assessment
 - Risk 7 - Unencrypted Backup Tapes
 - Risk 8 - Third-party Risk Management
 - Risk 9 - Software Development & Configuration Mgt.
 - Risk 10 - Physical Security
 - Risk 11 - Identity and Access Management
 - Risk 12 - Training and Awareness
 - Risk 13 - CISO Authority and Culture
- Information Security gaps posing highest risk across the U. T. System**



High Risk Area 1: Mobile Device Security

- Completed laptop encryption Systemwide
- Purchased mobile device management software for Systemwide use to enforce iPad, iPhone, and Android encryption and configuration management
- Deployed encrypted thumb drives to U. T. System faculty and staff using/maintaining confidential information
- Launched a Systemwide Network Access Control Working Group led by U. T. San Antonio



High Risk Area 2: Decentralized IT

- Completed two technology consolidation projects:
 - U. T. Austin centralized 1000+ servers
 - U. T. Health Science Center - San Antonio centralized 177 servers
- Completed centralization of access management at U. T. Southwestern Medical Center



High Risk Area 3: Network Security

- Completed U. T. San Antonio network upgrade
- Started segmentation of critical servers at U. T. Health Science Center - Tyler
- Completed enterprise firewall upgrade at U. T. Pan American
- Completed U. T. Health Science Center - San Antonio wireless network upgrade



High Risk Area 4: Logging and Monitoring

- Purchased patient privacy monitoring software for U. T. health institutions' use
- Launched a Security Incident and Event Monitoring Working Group led by U. T. Health Science Center - Houston

26



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High Risk Area 5: Disaster Recovery

- Disaster Recovery for the Arlington Regional Data Center (ARDC)
 - Backup processing for Shared PeopleSoft applications
 - U. T. Arlington failover capabilities
- Disaster Recovery Plan and co-location at a remote location for UTShare and Texas Student Information System
 - Systems are used by multiple institutions



High Risk Area 6: Inconsistent Risk Assessment

- **Risk Assessment Consistency:**
 - Established a U. T. System Risk Assessment Framework based on the National Institute of Standards and Technology
 - Purchased risk assessment software for Systemwide use
 - Started pilot deployment in five early adopter institutions
- **Third-Party Risk Assessment:**
 - Established a third-party risk assessment process based on U. T. System Risk Management Framework
 - Important for outsourcing and collaborations arrangements

28

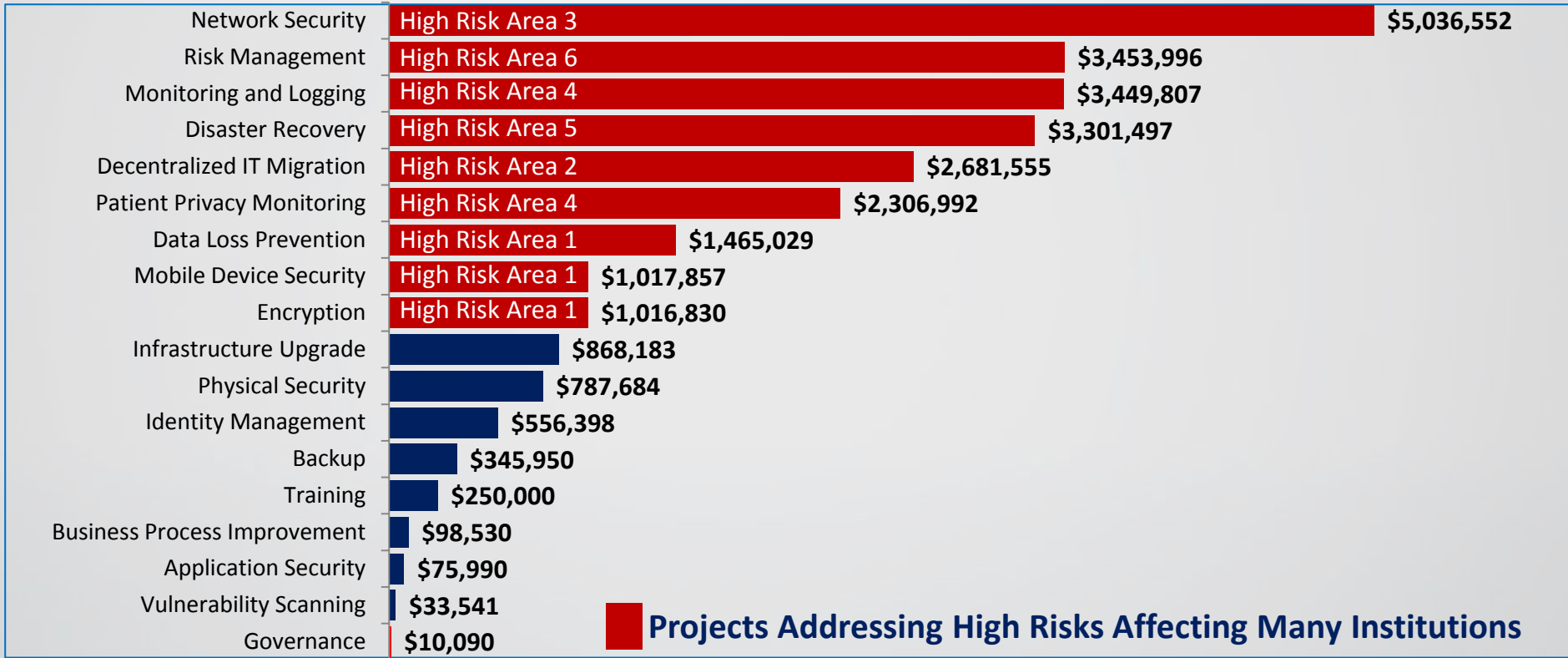


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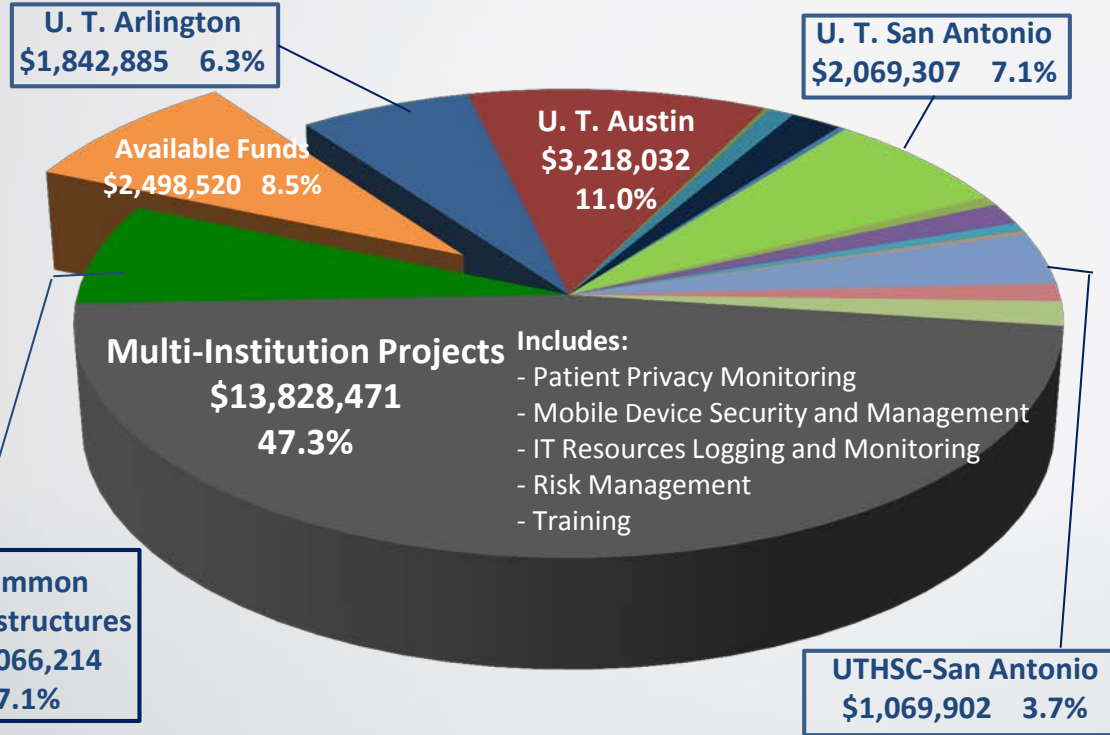
Project Funding by Risk Area



29



Funding by Institution

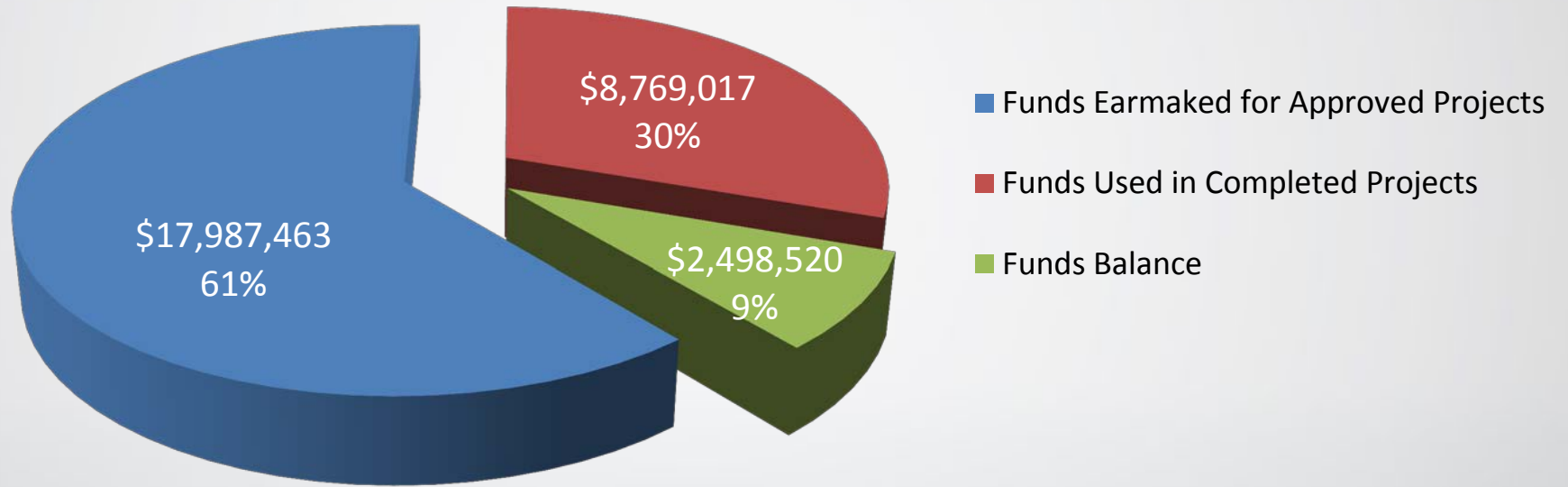


| | | |
|----------------------------------|--------------|-------|
| U. T. Arlington | \$1,842,885 | 6.3% |
| U. T. Austin..... | \$3,218,032 | 11.0% |
| U. T. Brownsville..... | \$54,000 | 0.2% |
| U. T. Dallas..... | \$0 | 0.0% |
| U. T. El Paso..... | \$277,763 | 0.9% |
| U. T. Pan American | \$549,204 | 1.9% |
| U. T. Permian Basin..... | \$80,373 | 0.3% |
| U. T. San Antonio | \$2,069,307 | 7.1% |
| U. T. Tyler..... | \$178,110 | 0.6% |
| U. T. Southwestern | \$436,438 | 1.5% |
| U. T. Medical Branch..... | \$156,992 | 0.5% |
| U. T. HSC Houston..... | \$45,541 | 0.2% |
| U. T. HSC San Antonio | \$1,069,902 | 3.7% |
| U. T. MDACC..... | \$360,000 | 1.2% |
| U. T. HSC Tyler..... | \$490,650 | 1.7% |
| U. T. System Administration..... | \$3,996 | 0.0% |
| Multi-Institution Project.... | \$13,828,471 | 47.3% |
| UTIMCO..... | \$0 | 0.0% |
| Common Infrastructures..... | \$2,066,214 | 7.1% |
| Funds Balance..... | \$2,498,520 | 8.5% |



30

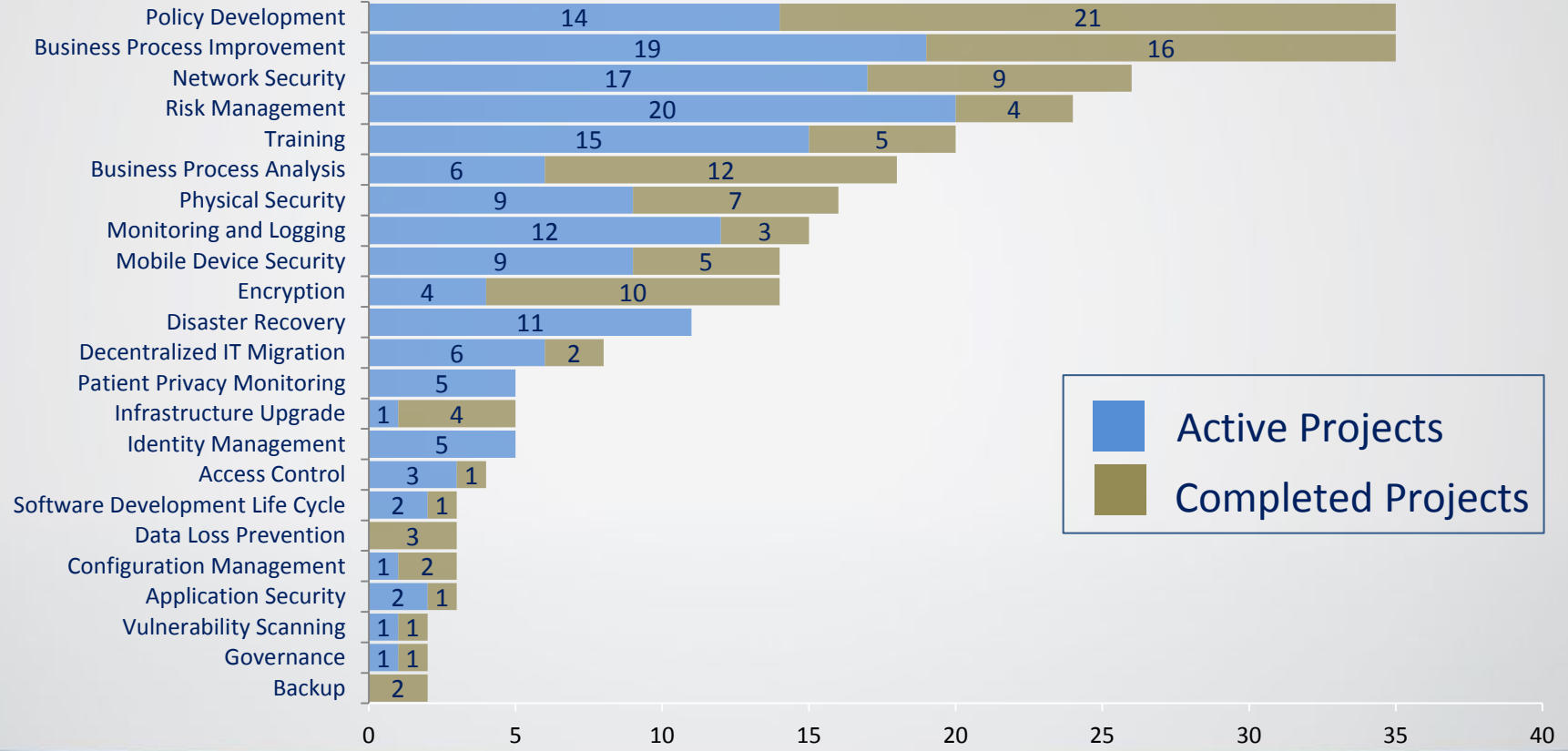
Funds Allocation to Date



31

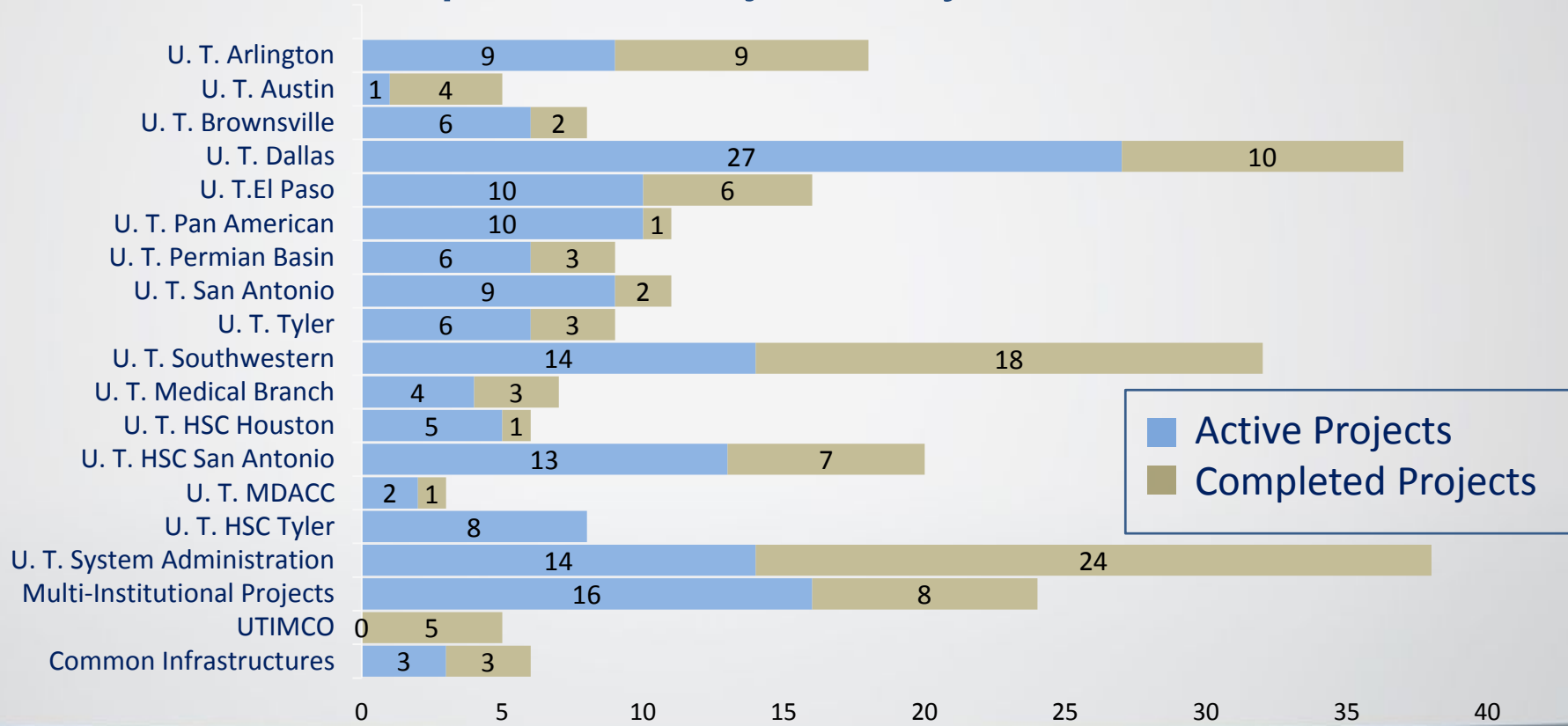


Active and Completed Projects by Activity Area



32

Active and Completed Projects by Institution

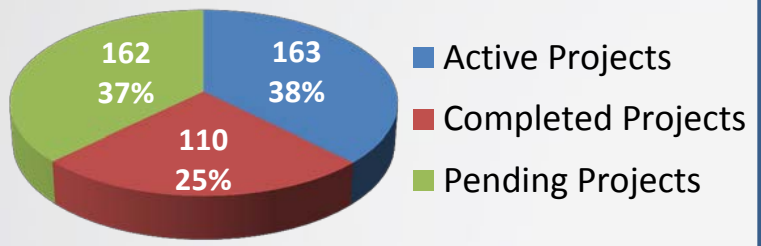


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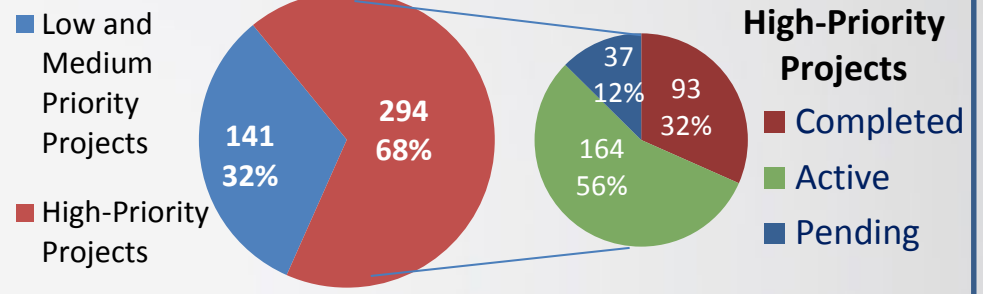
Project Progress Summary

Current Project Status



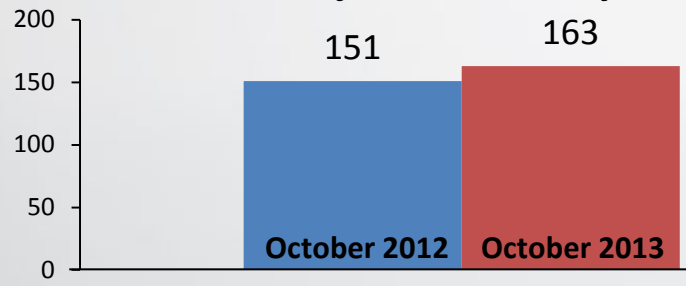
Total Identified Projects: 435

High Priority Project Completion Status

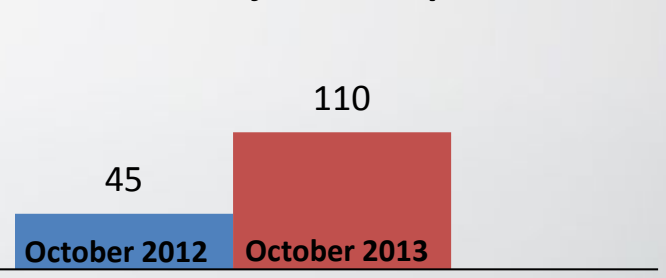


34

Projects Underway



Cumulative Projects Completed



Multi-Institution Projects Completed and In Process

- Mobile Device Management
 - ✓ Laptop encryption
 - ✓ Encrypted thumb drives
 - ✓ iPhones, iPads, and Androids
 - Network access control
- Risk Management
 - IT risk assessments
 - Third-party assessments
- Training
 - Technical training
 - ✓ User training
- Logging and Monitoring
 - ✓ Patient privacy
 - ✓ Data discovery
 - Security events



Common Infrastructures

- Hired an Information Security Officer for Common Use Information Resources
 - Work with Resource Manager
 - Identify control gaps
 - Define compliance strategies
 - Establish program metrics
- Deployed U. T. Research Cyber Infrastructure Perimeter Security Devices
- Completed Information Security Assessment for Texas Advanced Computing Center and ARDC
 - Are they electronic protected health information-ready?



U. T. System Security Profile is Maturing

- Improved Security
 - Laptop encryption minimizes the number of reportable security breaches
 - Mobile device management provides security standards and secure configurations for mobile devices connecting to institutional networks
- Alignment
 - Projects support the Framework for Advancing Excellence
 - U. T. System Risk Management Framework provides a common methodology to assess, report, and aggregate information security risk across all institutions
- Cultural Shift
 - Executive management is considering and, in cases, requiring centralization of critical assets
 - Institutions are increasingly considering collaboration and shared strategies to address security
- Efficiency
 - Systemwide purchasing and leveraging the U. T. System Supply Alliance generates considerable savings to the U. T. System





**TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE**

Committee Meeting: 11/14/2013

Board Meeting: 11/14/2013
Austin, Texas

*Jeffery D. Hildebrand, Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Wm. Eugene Powell*

| | Committee Meeting | Board Meeting | Page |
|---|--|----------------------|-------------|
| Convene | 9:15 a.m. <i>Chairman Hildebrand</i> | | |
| 1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration | 9:15 a.m. Action | Action | 39 |
| 2. U. T. System: Key Financial Indicators Report | 9:16 a.m. Report/Discussion <i>Dr. Kelley</i> | Not on Agenda | 40 |
| 3. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the fiscal year and quarter ended August 31, 2013 | 9:22 a.m. Report/Discussion <i>Mr. Zimmerman</i> | Report | 49 |
| 4. U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program | 9:28 a.m. Action <i>Dr. Kelley</i> | Action | 55 |
| 5. U. T. System Board of Regents: Approval of the Annual Budget for FY 2014, including the capital expenditures budget, invoiced external investment manager fees, and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO) | 9:35 a.m. Action <i>Dr. Kelley</i> | Action | 59 |
| 6. U. T. System Board of Regents: Report on the Opportune LLP External Review and Assessment of University Lands, recommendations from the University Lands Advisory Committee, and approval of an additional \$1,350,000 of Permanent University Funds | 9:41 a.m. Action <i>Dr. Kelley Mr. Jim Benson, University Lands</i> | Action | 75 |
| Adjourn | 10:00 a.m. | | |

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is at the back of the book.

2. U. T. System: Key Financial Indicators Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 47 - 54. The report represents the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2009 through July 2013. Ratios requiring balance sheet data are provided for Fiscal Year 2008 through Fiscal Year 2012.


















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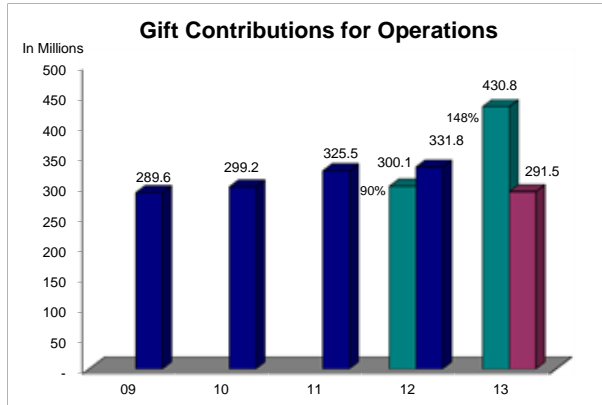
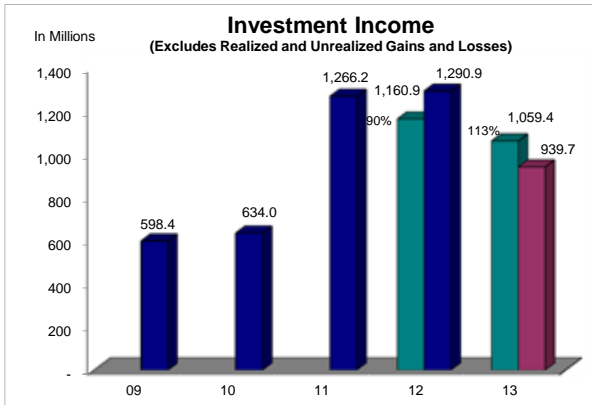
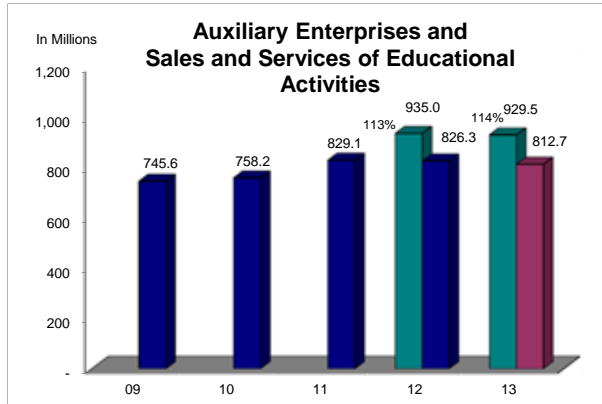
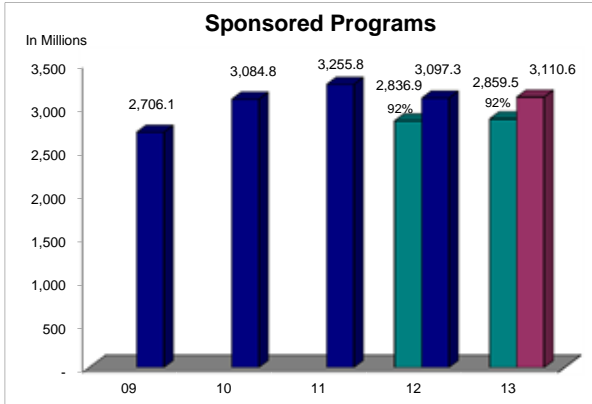
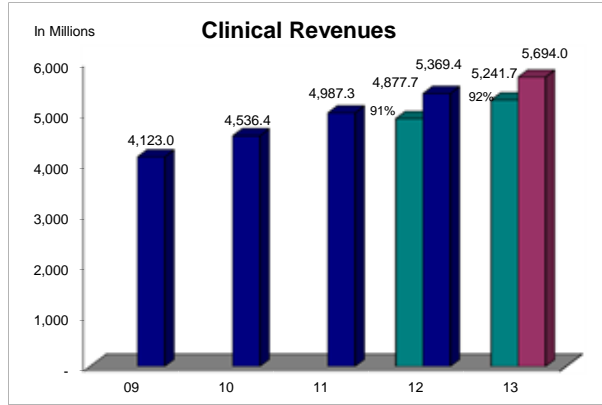
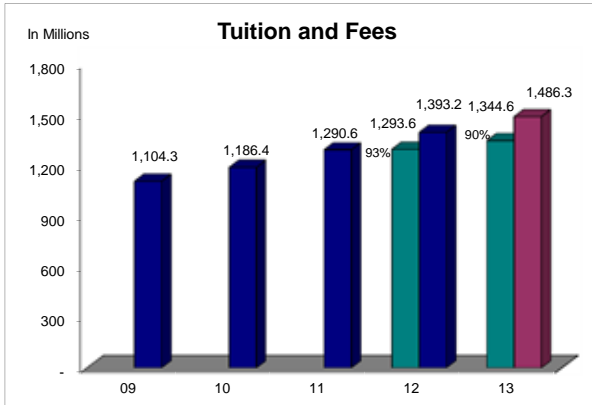
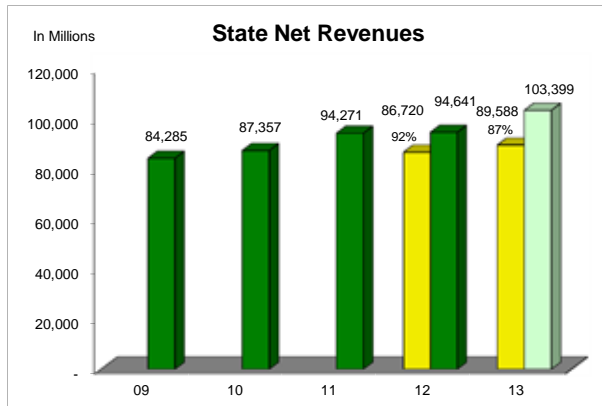
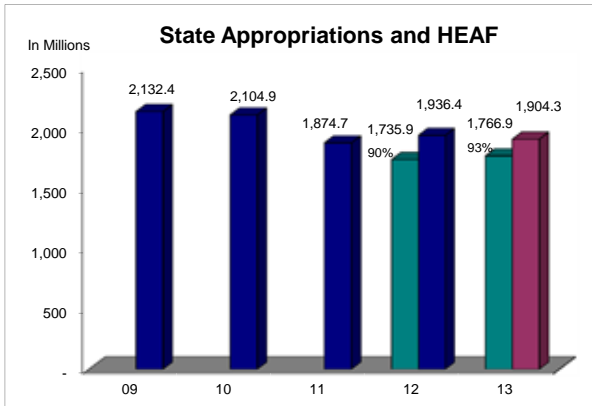
KEY FINANCIAL INDICATORS REPORT

JULY 2013

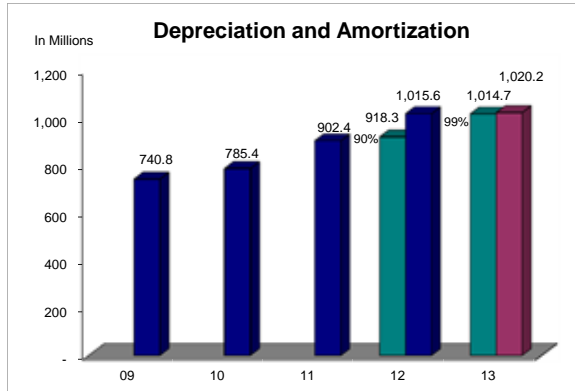
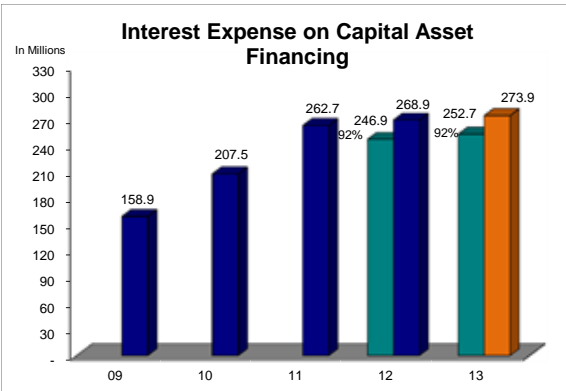
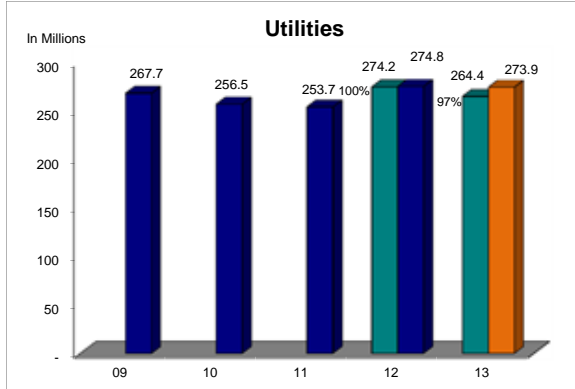
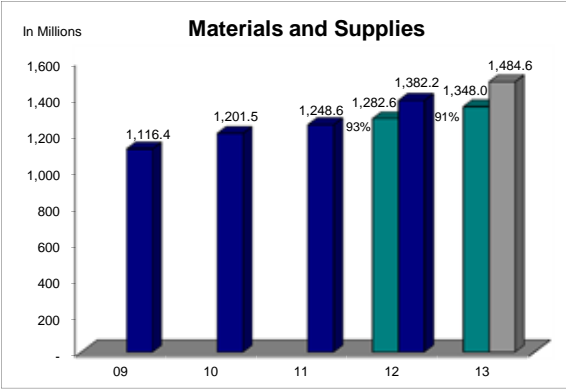
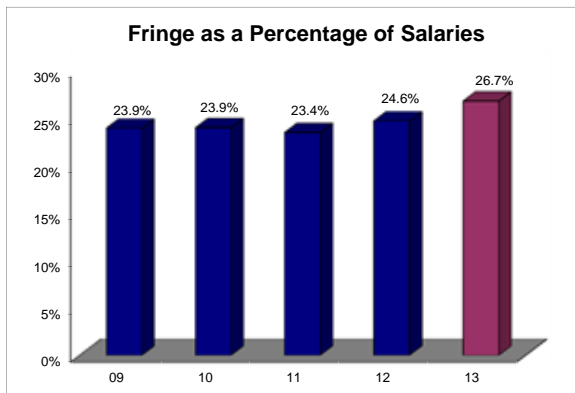
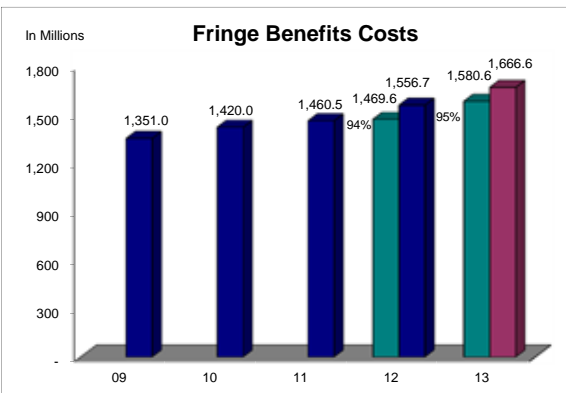
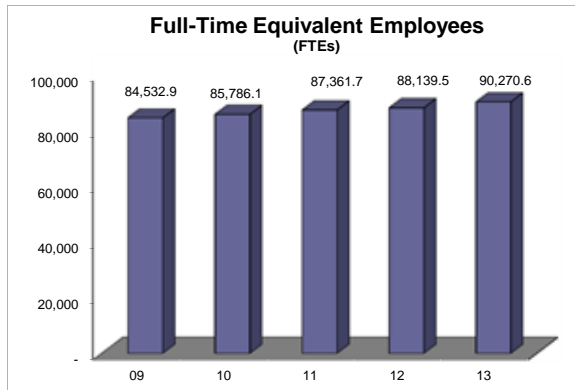
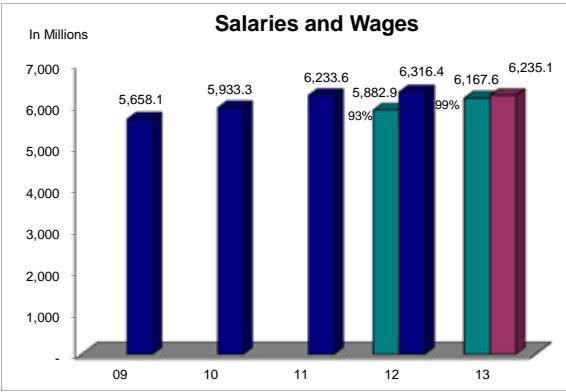
KEY

-  **Actual Annual Amounts**
(SOURCE: Annual Financial Reports)
-  **Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation**
(SOURCE: Annual Financial Reports)
-  **Budget amounts**
(SOURCE: Operating Budget Summary)
-  **Projected Amounts based on the average change of the previous three years of data**
-  **Monthly Financial Report Year-to-Date Amounts**
-  **Annual State Net Revenue Collections**
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)
-  **Year-to-Date State Net Revenue Collections**
(SOURCE: State Comptroller's Office)
-  **Estimated State Revenue Collections**
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)
-  **Annual and Quarterly Average of FTEs**
(SOURCE: State Auditor's Office Quarterly FTE Report)
-  **Year-to-Date Margin**
(SOURCE: Monthly Financial Report)
-  **Projected Amounts based on Monthly Financial Report**
-  **Year-to-Date Margin**
(SOURCE: Monthly Financial Report)
-  **Target Normalized Rates**
-  **Aaa Median**
(SOURCE: Moody's)
-  **A2 Median**
(SOURCE: Moody's)
-  **Good Facilities Condition Index (Below 5%)**
-  **Fair Facilities Condition Index (5% - 10%)**

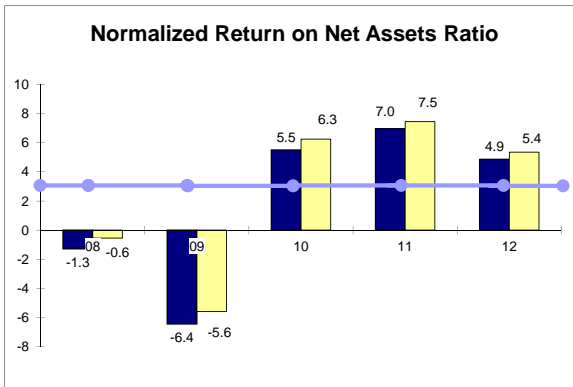
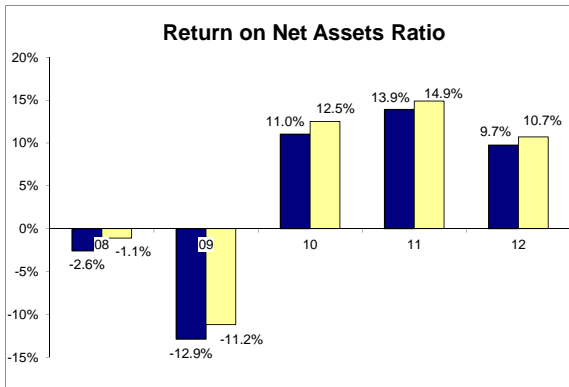
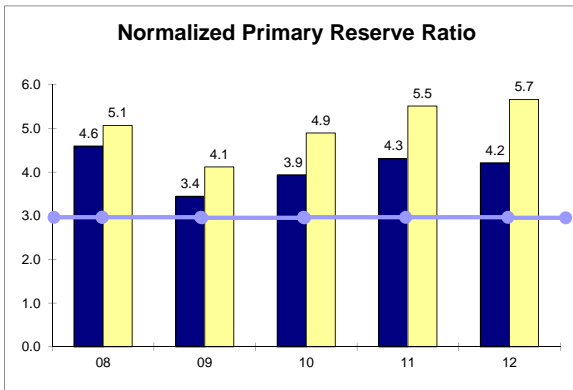
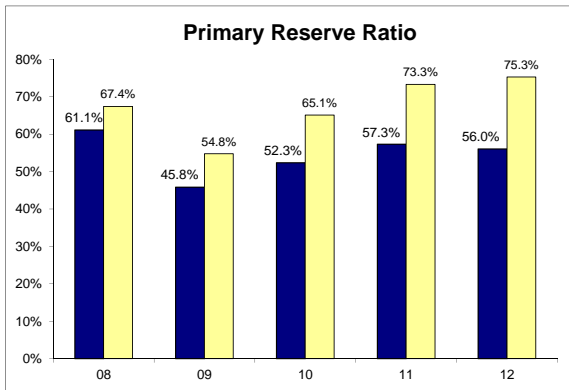
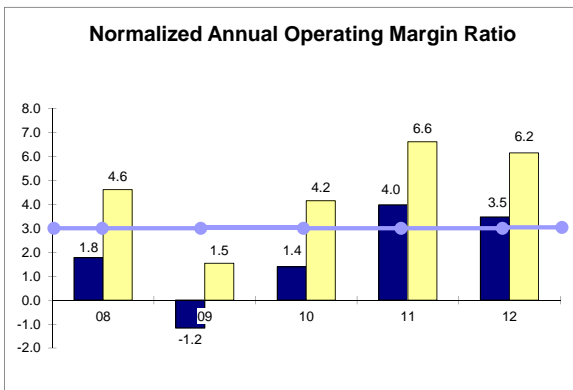
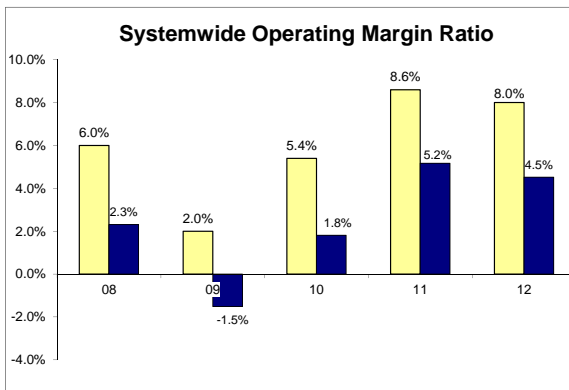
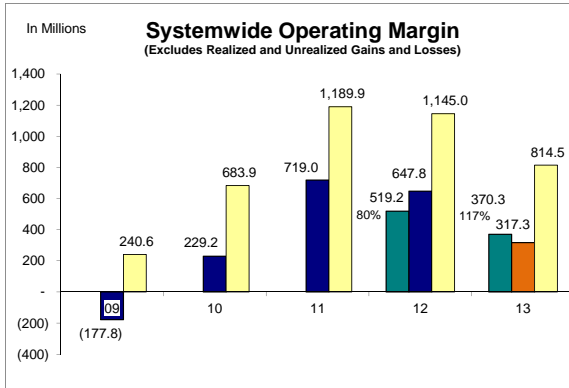
**KEY INDICATORS OF REVENUES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM JULY MONTHLY FINANCIAL REPORT**



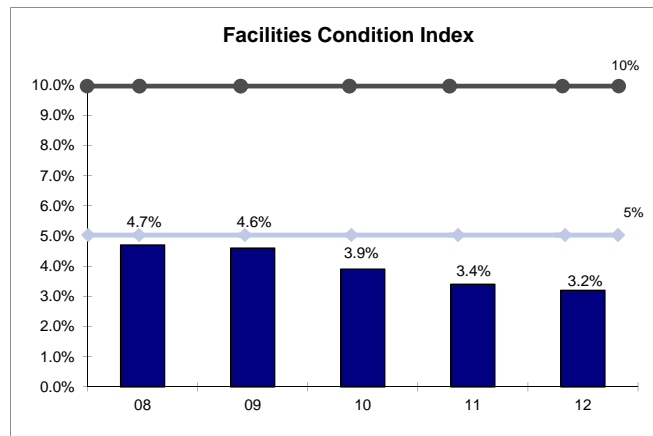
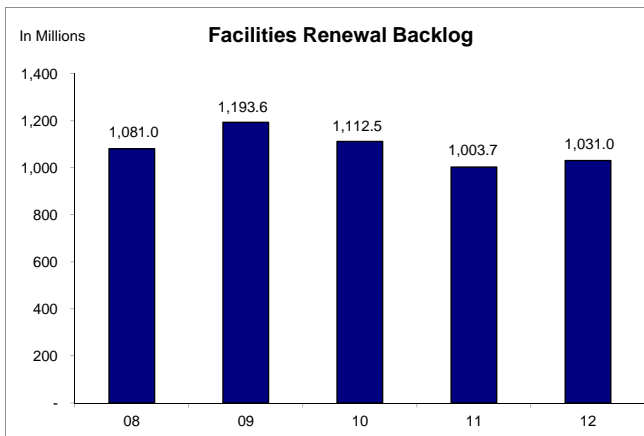
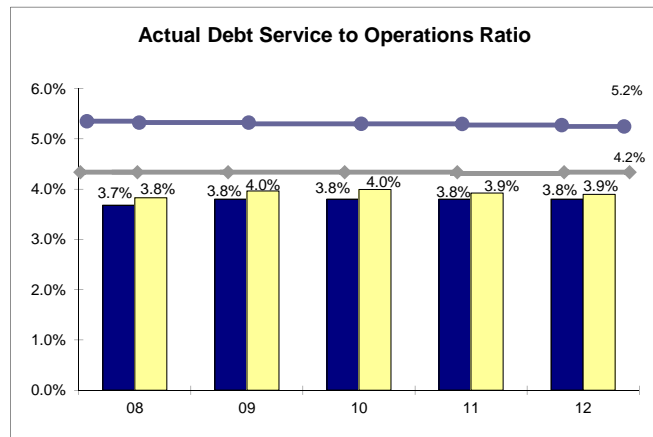
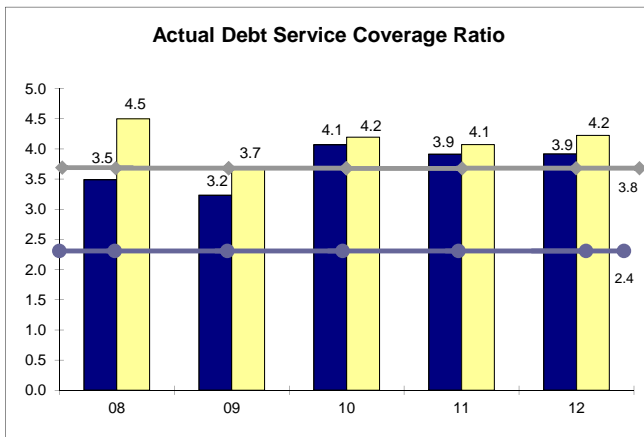
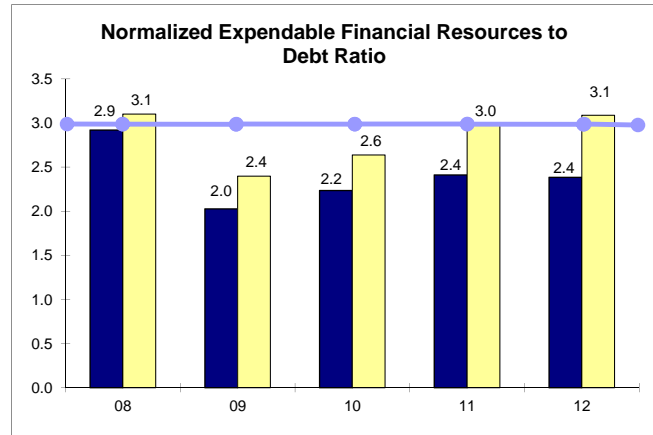
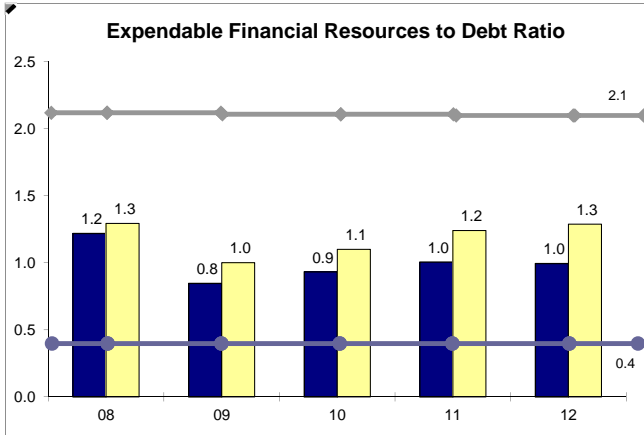
KEY INDICATORS OF EXPENSES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM JULY MONTHLY FINANCIAL REPORT



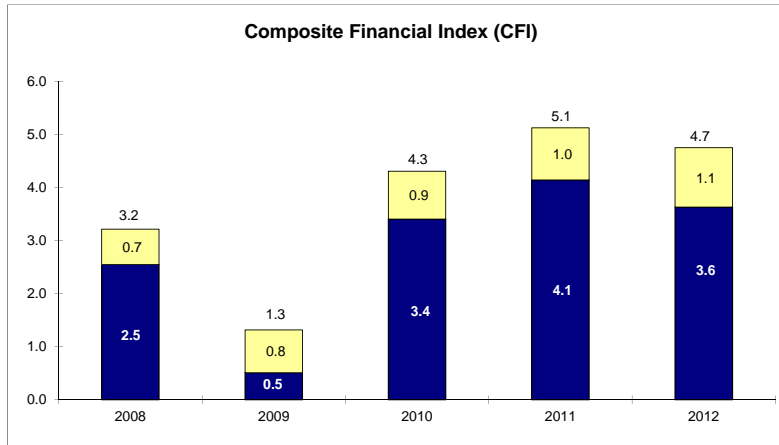
KEY INDICATORS OF RESERVES
ACTUAL 2008 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM JULY MONTHLY FINANCIAL REPORT



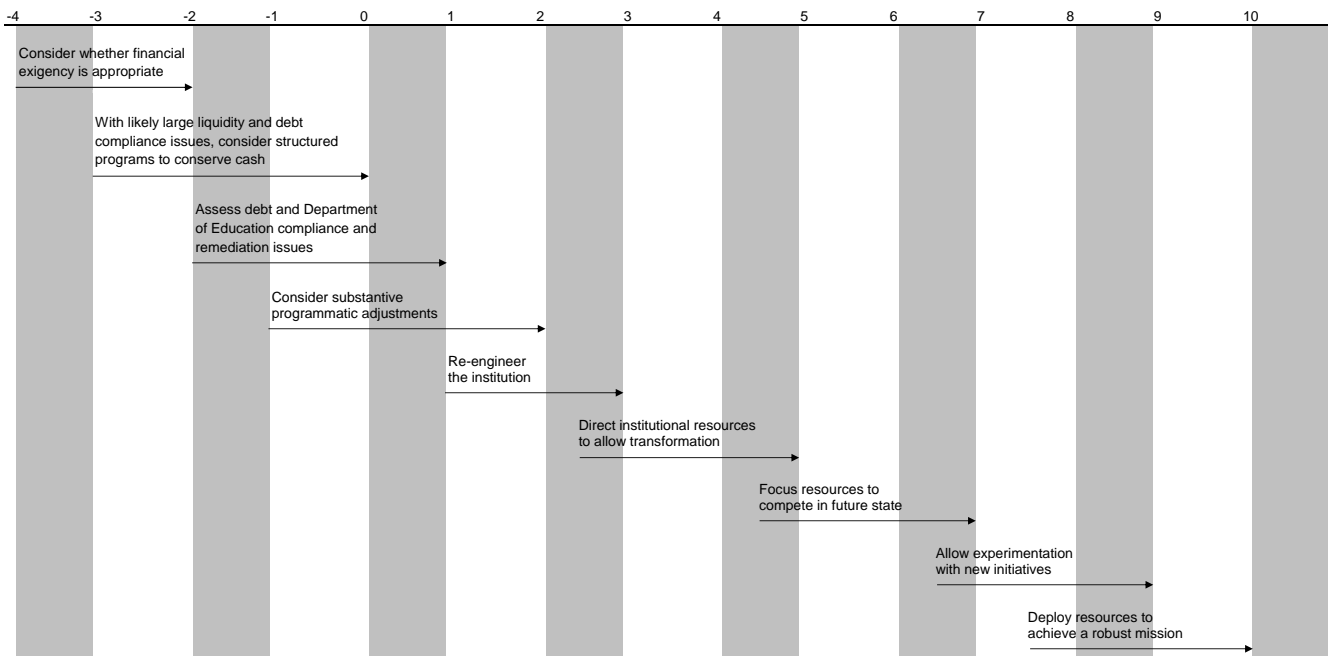
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2008 THROUGH 2012



**KEY INDICATORS OF FINANCIAL HEALTH
2008 THROUGH 2012**

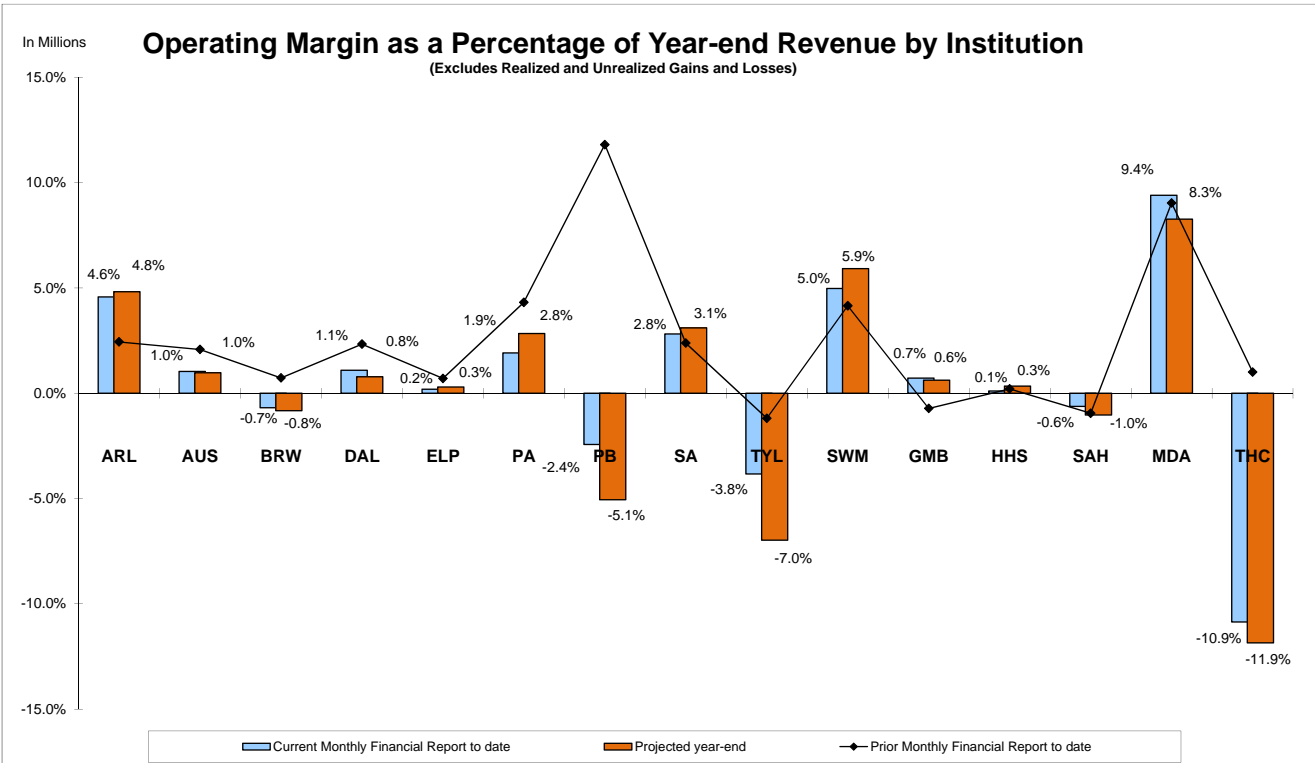
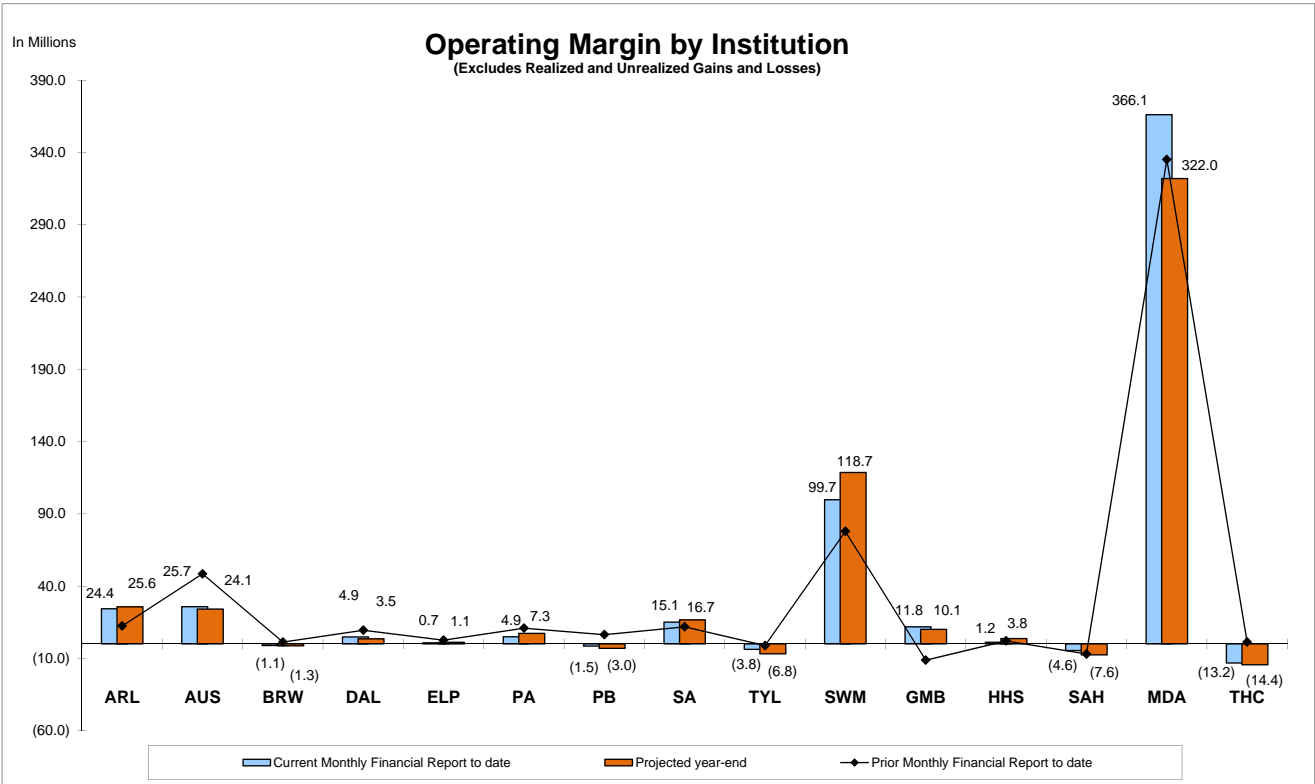


Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES YEAR-TO-DATE 2012 AND 2013 FROM JULY MONTHLY FINANCIAL REPORT PROJECTED 2013 YEAR-END MARGIN



3. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the fiscal year and quarter ended August 31, 2013**

REPORT

The August 31, 2013 UTIMCO Performance Summary Report is attached on Page 50.

The Investment Reports for the fiscal year and quarter ended August 31, 2013, are set forth on Pages 51 - 54.

Item I on Page 51 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was 8.79% versus its composite benchmark return of 7.47%. The PUF's net asset value increased by \$1,383 million since the beginning of the year to \$14,853 million. The increase was due to \$857 million PUF Lands receipts, plus a net investment return of \$1,170 million, less the annual distribution to the Available University Fund (AUF) of \$644 million.

Item II on Page 52 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was 8.99% versus its composite benchmark return of 7.47%. The GEF's net asset value increased by \$291 million during the fiscal year to \$7,396 million.

Item III on Page 53 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the fiscal year was 5.03% versus its composite benchmark return of 2.70%. The net asset value increased during the fiscal year to \$5,520 million due to net investment return of \$249 million, plus net contributions of \$536 million, less distributions of \$158 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 54 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by \$39 million to \$1,985 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$21 million versus \$22 million at the beginning of the period; equities: \$66 million versus \$73 million at the beginning of the period; and other investments: \$142 million versus \$5 million at the beginning of the period.

UTIMCO Performance Summary

August 31, 2013

| | Net Asset Value 8/31/2013 (in Millions) | Periods Ended August 31, 2013 (Returns for Periods Longer Than One Year are Annualized) | | | | | | | |
|---|--|--|---------------|---------------|---------------|------------------|-----------------|-----------------|--------|
| | | Short Term | | Year to Date | | Historic Returns | | | |
| | | 1 Mo | 3 Mos | Fiscal | Calendar | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs |
| ENDOWMENT FUNDS | | | | | | | | | |
| Permanent University Fund | \$ 14,853 | 0.19% | (0.08%) | 8.79% | 4.87% | 8.79% | 8.77% | 4.83% | 7.90% |
| General Endowment Fund | | 0.24 | (0.04) | 8.99 | 4.99 | 8.99 | 8.89 | 4.84 | 7.98 |
| Permanent Health Fund | 1,015 | 0.22 | (0.01) | 8.88 | 4.94 | 8.88 | 8.81 | 4.76 | 7.89 |
| Long Term Fund | 6,380 | 0.22 | (0.01) | 8.88 | 4.94 | 8.88 | 8.82 | 4.76 | 7.89 |
| Separately Invested Funds | 301 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total Endowment Funds | 22,549 | | | | | | | | |
| OPERATING FUNDS | | | | | | | | | |
| Intermediate Term Fund | 5,520 | (0.40) | (0.96) | 5.03 | 1.96 | 5.03 | 6.37 | 4.43 | N/A |
| Debt Proceeds Fund | 308 | 0.01 | 0.03 | 0.14 | 0.08 | 0.14 | N/A | N/A | N/A |
| Short Term Fund | 1,625 | 0.01 | 0.02 | 0.11 | 0.06 | 0.11 | 0.16 | 0.38 | 1.92 |
| Total Operating Funds | 7,453 | | | | | | | | |
| Total Investments | \$ 30,002 | | | | | | | | |
| VALUE ADDED (1) (Percent) | | | | | | | | | |
| Permanent University Fund | | 0.55% | (0.01%) | 1.32% | 1.06% | 1.32% | 1.25% | 2.11% | 1.84% |
| General Endowment Fund | | 0.60 | 0.03 | 1.52 | 1.18 | 1.52 | 1.37 | 2.12 | 1.92 |
| Intermediate Term Fund | | 0.45 | 0.31 | 2.33 | 2.01 | 2.33 | 2.17 | 2.34 | N/A |
| Debt Proceeds Fund | | 0.01 | 0.01 | 0.03 | 0.03 | 0.03 | N/A | N/A | N/A |
| Short Term Fund | | 0.01 | - | - | 0.01 | - | 0.06 | 0.16 | 0.21 |
| VALUE ADDED (1) (\$ IN MILLIONS) | | | | | | | | | |
| Permanent University Fund | \$ 82 | \$ (2) | \$ 178 | \$ 148 | \$ 178 | \$ 493 | \$ 1,372 | \$ 2,285 | |
| General Endowment Fund | 45 | 2 | 108 | 86 | 108 | 295 | 767 | 1,310 | |
| Intermediate Term Fund | 25 | 18 | 119 | 106 | 119 | 313 | 546 | N/A | |
| Total Value Added | \$ 152 | \$ 18 | \$ 405 | \$ 340 | \$ 405 | \$ 1,101 | \$ 2,685 | \$ 3,595 | |

Footnote available upon request.

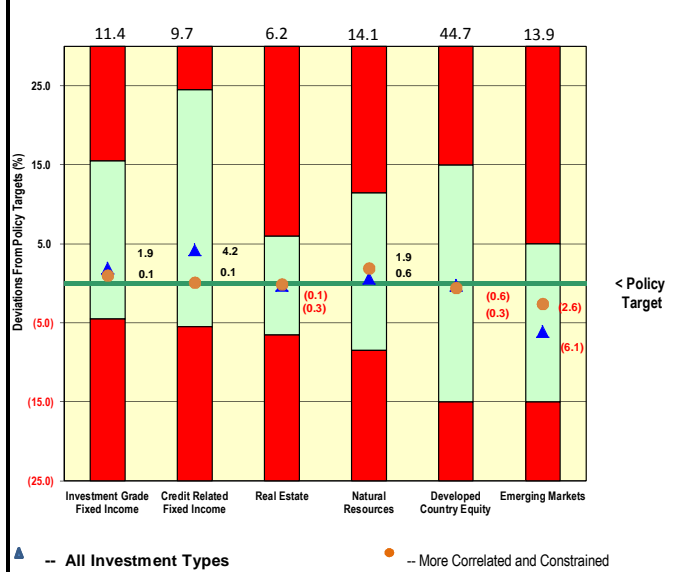
I. PERMANENT UNIVERSITY FUND Investment Reports for Periods Ended August 31, 2013

Prepared in accordance with Texas Education Code Sec. 51.0032

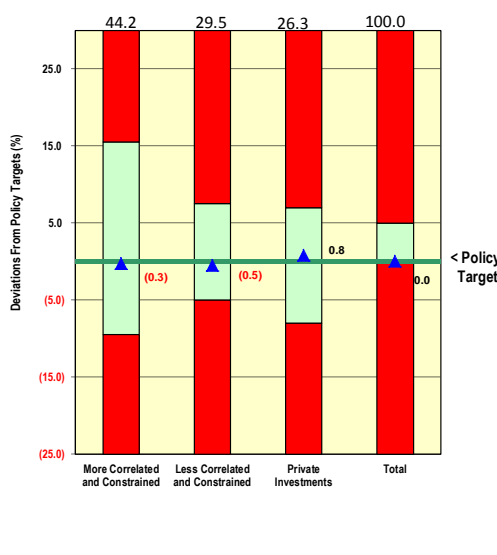
| Summary of Capital Flows | | | | |
|-------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--|
| (\$ millions) | Fiscal Year Ended August 31, 2012 | Quarter Ended August 31, 2013 | Fiscal Year Ended August 31, 2013 | |
| Beginning Net Assets | \$ 12,688 | \$ 14,631 | \$ 13,470 | |
| PUF Lands Receipts | 955 | 226 | 857 | |
| Investment Return (Net of Expenses) | 403 | (4) | 1,170 | |
| Distributions to AUF | (576) | - | (644) | |
| Ending Net Assets | <u>\$ 13,470</u> | <u>\$ 14,853</u> | <u>\$ 14,853</u> | |

| | Fiscal Year to Date | | | | |
|--|---------------------|------------------|-----------------------|-------------------------|---------------|
| | Returns | | Value Added | | |
| | Portfolio | Policy Benchmark | From Asset Allocation | From Security Selection | Total |
| More Correlated and Constrained: | | | | | |
| Investment Grade | -1.16% | -3.43% | -0.22% | 0.18% | -0.04% |
| Credit-Related | 1.88% | 8.53% | 0.00% | 0.00% | 0.00% |
| Real Estate | 4.41% | 5.89% | 0.00% | -0.06% | -0.06% |
| Natural Resources | -11.00% | -3.46% | -0.32% | -0.61% | -0.93% |
| Developed Country | 24.61% | 17.63% | -0.32% | 0.94% | 0.62% |
| Emerging Markets | 0.82% | 0.54% | 0.10% | 0.03% | 0.13% |
| Total More Correlated and Constrained | 4.51% | 5.08% | -0.76% | 0.48% | -0.28% |
| Less Correlated and Constrained | 11.45% | 6.12% | 0.50% | 1.07% | 1.57% |
| Private Investments | 13.27% | 13.22% | 0.49% | -0.46% | 0.03% |
| Total | 8.79% | 7.47% | 0.23% | 1.09% | 1.32% |

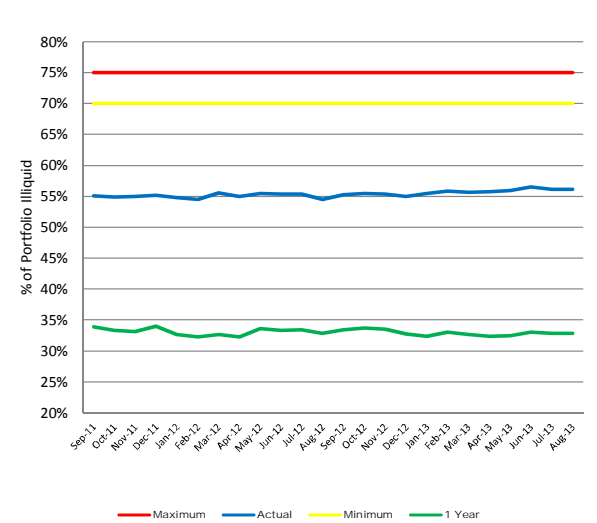
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF



Permanent University Fund
Actual Illiquidity vs. Trigger Zones

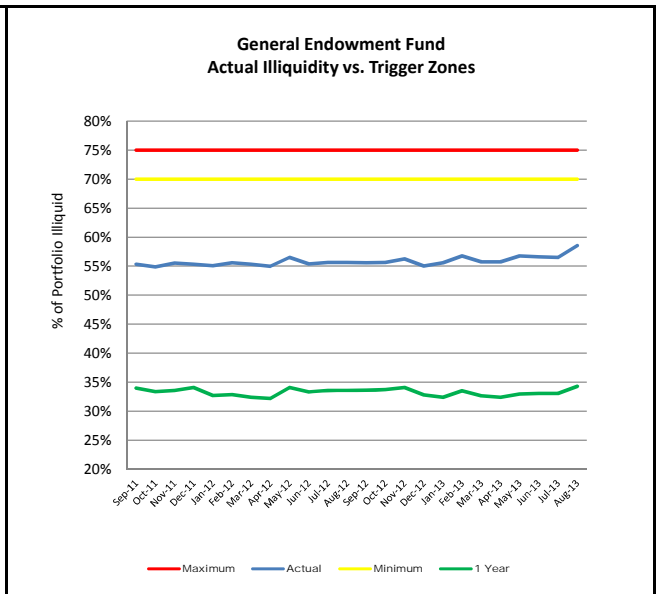
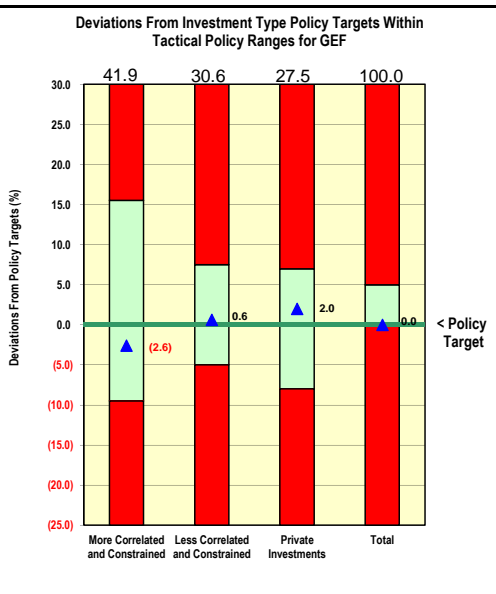
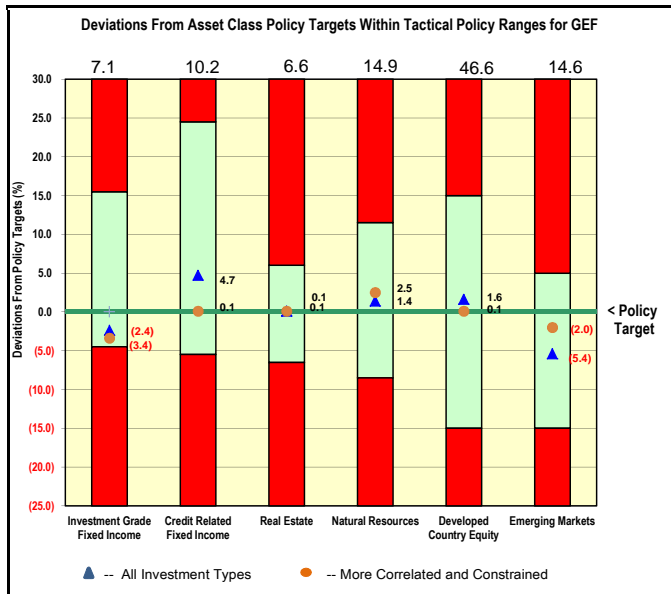


II. GENERAL ENDOWMENT FUND Investment Reports for Periods Ended August 31, 2013

Prepared in accordance with Texas Education Code Sec. 51.0032

| Summary of Capital Flows | | | |
|-------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| (\$ millions) | Fiscal Year Ended August 31, 2012 | Quarter Ended August 31, 2013 | Fiscal Year Ended August 31, 2013 |
| Beginning Net Assets | \$ 7,049 | \$ 7,589 | \$ 7,105 |
| Contributions | 194 | 39 | 166 |
| Withdrawals | (17) | (143) | (152) |
| Distributions | (344) | (90) | (360) |
| Investment Return (Net of Expenses) | 223 | 1 | 637 |
| Ending Net Assets | <u>\$ 7,105</u> | <u>\$ 7,396</u> | <u>\$ 7,396</u> |

| | Returns | | Fiscal Year to Date | | |
|--|---------------|------------------|-----------------------|-------------------------|----------------------|
| | Portfolio | Policy Benchmark | From Asset Allocation | From Security Selection | Value Added Total |
| More Correlated and Constrained: | | | | | |
| Investment Grade | -0.32% | -3.43% | -0.12% | 0.26% | 0.14% |
| Credit-Related | 1.88% | 8.53% | 0.00% | 0.00% | 0.00% |
| Real Estate | 4.42% | 5.89% | 0.01% | -0.06% | -0.05% |
| Natural Resources | -10.99% | -3.46% | -0.34% | -0.61% | -0.95% |
| Developed Country | 24.60% | 17.63% | -0.31% | 0.93% | 0.62% |
| Emerging Markets | 1.28% | 0.54% | 0.08% | 0.09% | 0.17% |
| Total More Correlated and Constrained | 4.94% | 5.08% | -0.68% | 0.61% | -0.07% |
| Less Correlated and Constrained | 11.45% | 6.12% | 0.48% | 1.06% | 1.54% |
| Private Investments | 13.27% | 13.22% | 0.51% | -0.46% | 0.05% |
| Total | 8.99% | 7.47% | 0.31% | 1.21% | 1.52% |

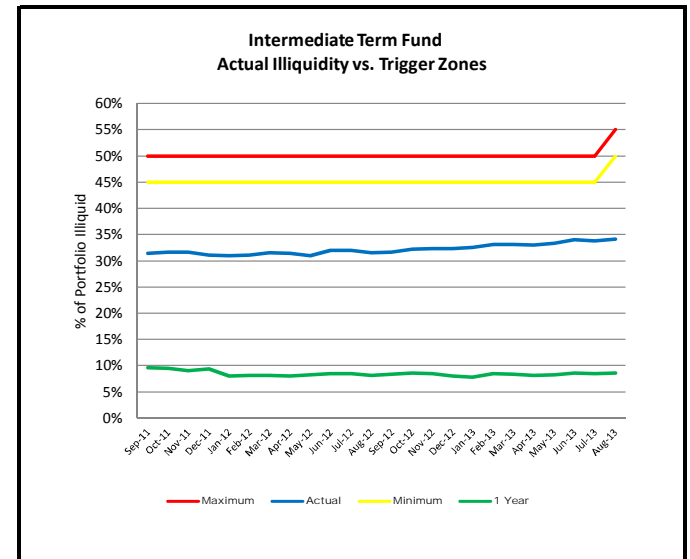
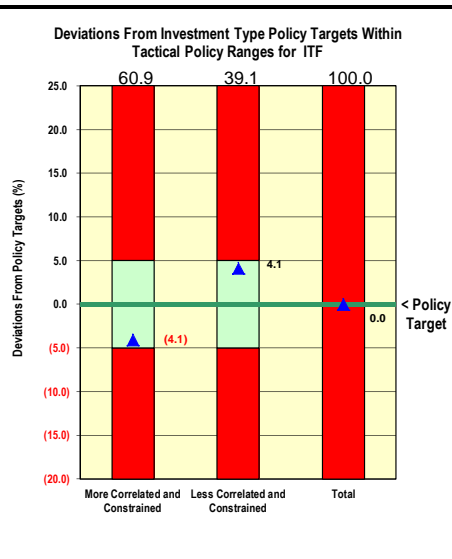
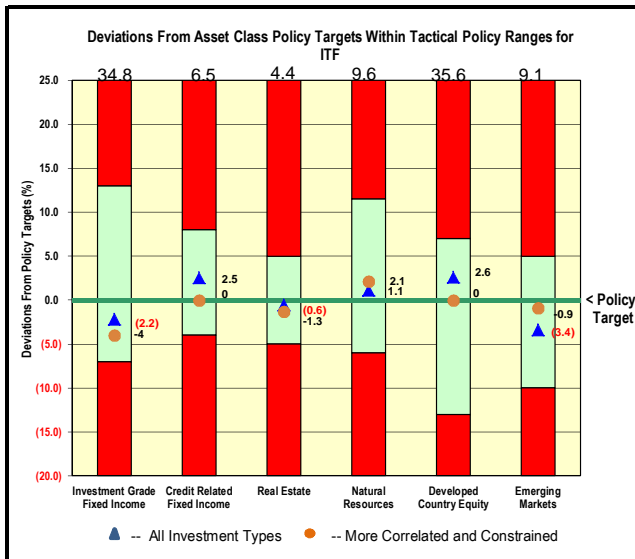


III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended August 31, 2013

Prepared in accordance with Texas Education Code Sec. 51.0032

| Summary of Capital Flows | | | |
|-------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| (\$ millions) | Fiscal Year Ended August 31, 2012 | Quarter Ended August 31, 2013 | Fiscal Year Ended August 31, 2013 |
| Beginning Net Assets | \$ 4,662 | \$ 5,414 | \$ 4,893 |
| Contributions | 420 | 261 | 694 |
| Withdrawals | (183) | (64) | (158) |
| Distributions | (142) | (41) | (158) |
| Investment Return (Net of Expenses) | 136 | (50) | 249 |
| Ending Net Assets | <u>\$ 4,893</u> | <u>\$ 5,520</u> | <u>\$ 5,520</u> |

| | Fiscal Year to Date | | | | |
|--|---------------------|------------------|-----------------------|-------------------------|--------------|
| | Returns | | Value Added | | |
| | Portfolio | Policy Benchmark | From Asset Allocation | From Security Selection | Total |
| More Correlated and Constrained: | | | | | |
| Investment Grade | -1.60% | -3.43% | 0.13% | 0.63% | 0.76% |
| Credit-Related | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Real Estate | 4.62% | 5.89% | -0.13% | -0.06% | -0.19% |
| Natural Resources | -8.41% | -3.46% | -0.43% | -0.38% | -0.81% |
| Developed Country | 25.18% | 17.63% | -0.25% | 0.66% | 0.41% |
| Emerging Markets | 3.11% | 0.54% | 0.00% | 0.20% | 0.20% |
| Total More Correlated and Constrained | 1.32% | 0.87% | -0.68% | 1.05% | 0.37% |
| Less Correlated and Constrained | 11.41% | 6.12% | 0.75% | 1.21% | 1.96% |
| Private Investments | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total | 5.03% | 2.70% | 0.07% | 2.26% | 2.33% |



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at August 31, 2013
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

| ASSET TYPES | (\$ thousands) | | | | | | | | | | | | | | | |
|--------------------------------|-------------------------------|-------|------------|----------|------------------------------|---------|--------------------------------|---------|--------------|---------|------------------------------------|---------|---|-----------|-----------|-----------|
| | FUND TYPE | | | | | | | | | | | | | | | |
| | CURRENT PURPOSE DESIGNATED | | RESTRICTED | | ENDOWMENT & SIMILAR FUNDS | | ANNUITY & LIFE INCOME FUNDS | | AGENCY FUNDS | | TOTAL EXCLUDING OPERATING FUNDS | | OPERATING FUNDS (DEBT PROCEEDS AND SHORT TERM FUND) | | TOTAL | |
| BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | |
| Cash & Equivalents: | | | | | | | | | | | | | | | | |
| Beginning value 05/31/13 | - | - | 3,334 | 3,334 | 38,945 | 38,945 | 1,482 | 1,482 | 1,866 | 1,866 | 45,627 | 45,627 | 1,977,955 | 1,977,955 | 2,023,582 | 2,023,582 |
| Increase/(Decrease) | - | - | (1,612) | (1,612) | 7,546 | 7,546 | 1,080 | 1,080 | (1,191) | (1,191) | 5,823 | 5,823 | (44,542) | (44,542) | (38,719) | (38,719) |
| Ending value 08/31/13 | - | - | 1,722 | 1,722 | 46,491 | 46,491 | 2,562 | 2,562 | 675 | 675 | 51,450 | 51,450 | 1,933,413 | 1,933,413 | 1,984,863 | 1,984,863 |
| Debt Securities: | | | | | | | | | | | | | | | | |
| Beginning value 05/31/13 | - | - | 45 | 45 | 12,163 | 13,063 | 8,859 | 9,224 | - | - | 21,067 | 22,332 | - | - | 21,067 | 22,332 |
| Increase/(Decrease) | - | - | 13 | 12 | 67 | (460) | (92) | (446) | - | - | (12) | (894) | - | - | (12) | (894) |
| Ending value 08/31/13 | - | - | 58 | 57 | 12,230 | 12,603 | 8,767 | 8,778 | - | - | 21,055 | 21,438 | - | - | 21,055 | 21,438 |
| Equity Securities: | | | | | | | | | | | | | | | | |
| Beginning value 05/31/13 | 1,161 | 4,750 | 12,496 | 12,491 | 36,334 | 40,223 | 13,700 | 15,300 | - | - | 63,691 | 72,764 | - | - | 63,691 | 72,764 |
| Increase/(Decrease) | - | 499 | (11,000) | (10,624) | 3,927 | 4,486 | (1,166) | (1,615) | - | - | (8,239) | (7,254) | - | - | (8,239) | (7,254) |
| Ending value 08/31/13 | 1,161 | 5,249 | 1,496 | 1,867 | 40,261 | 44,709 | 12,534 | 13,685 | - | - | 55,452 | 65,510 | - | - | 55,452 | 65,510 |
| Other: | | | | | | | | | | | | | | | | |
| Beginning value 05/31/13 | - | - | 393 | 393 | 12 | 12 | 486 | 133 | 4,545 | 4,545 | 5,436 | 5,083 | - | - | 5,436 | 5,083 |
| Increase/(Decrease) | - | - | 4,854 | 4,854 | (6) | (6) | 7 | - | 132,501 | 132,501 | 137,356 | 137,349 | - | - | 137,356 | 137,349 |
| Ending value 08/31/13 | - | - | 5,247 | 5,247 | 6 | 6 | 493 | 133 | 137,046 | 137,046 | 142,792 | 142,432 | - | - | 142,792 | 142,432 |
| Total Assets: | | | | | | | | | | | | | | | | |
| Beginning value 05/31/13 | 1,161 | 4,750 | 16,268 | 16,263 | 87,454 | 92,243 | 24,527 | 26,139 | 6,411 | 6,411 | 135,821 | 145,806 | 1,977,955 | 1,977,955 | 2,113,776 | 2,123,761 |
| Increase/(Decrease) | - | 499 | (7,745) | (7,370) | 11,534 | 11,566 | (171) | (981) | 131,310 | 131,310 | 134,928 | 135,024 | (44,542) | (44,542) | 90,386 | 90,482 |
| Ending value 08/31/13 | 1,161 | 5,249 | 8,523 | 8,893 | 98,988 | 103,809 | 24,356 | 25,158 | 137,721 | 137,721 | 270,749 | 280,830 | 1,933,413 | 1,933,413 | 2,204,162 | 2,214,243 |

Details of individual assets by account furnished upon request.

4. **U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program**

RECOMMENDATION

The University of Texas Investment Management Company Board of Directors (UTIMCO Board) recommends that the U. T. System Board of Regents (U. T. System Board) approve revisions to Appendices C and D of the amended and restated UTIMCO Compensation Program effective September 1, 2012 (Plan), as set forth in congressional style on Pages 57 - 58.

Revisions to Appendices C and D were approved by the UTIMCO Board on November 4, 2013. The revisions to the amended and restated Plan are to be effective as of September 1, 2013.

BACKGROUND INFORMATION

The Plan consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret the compensation program and may from time to time adopt such rules and regulations that it may deem necessary to carry out the Compensation Program and may also amend the Compensation Program.

The proposed changes are as follows:

Appendix C, Table 1

Section 5.3.(a) of the Plan requires Table 1 to be revised, as necessary, for subsequent Performance Periods to set forth any changes or additions to the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period and to be attached as Appendix C to the Plan. Appendix C includes proposed amendments to reflect an additional Eligible Position, a description change for an Eligible Position and increases to the Target Incentive Award Opportunities for certain Eligible Positions. The proposed revised Appendix C is shown on Page 57.

Appendix D, Table 2

Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards in effect during the three-year rolling historical period, culminating with the subsequent Performance Period. Proposed amendments to Appendix D include updating the Policy Portfolio Weights for the Total Endowment Assets and the Intermediate Term Fund (ITF) to be consistent with changes to the Investment Policy Statements previously approved by the U. T. System Board on August 22, 2013. In addition, increases to the Target and Maximum Performance Standards have been proposed as follows:

| | |
|---------------------------------|---------------------------------|
| Entity - Total Endowment Funds: | Target from 75 bps to 100 bps |
| | Maximum from 225 bps to 250 bps |

Private Investments (excludes Real Estate): Target from 100 bps to 150 bps
Maximum from 350 bps to 450 bps

Private Investments Real Estate: Target from 100 bps to 150 bps
Maximum from 325 bps to 450 bps

The proposed revised Appendix D is shown on Page 58.

Appendix C, Table 1

Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position
(for the Performance Periods Beginning After August 31, 2013)

| Eligible Position | Weighting | | | | | | Percentage of Award Deferred | |
|---|-----------|---------------------------------|-----------------------------|---|-----------|----------------------|------------------------------|---------|
| | Entity | Asset Class/ Investment Type | Qualitative (Individual) | Incentive Award Opportunity (% of Salary) | | | | |
| | | | | <Threshold | Threshold | Target | | Maximum |
| <i>Investment Professionals</i> | | | | | | | | |
| CEO & Chief Investment Officer | 60% | 0% | 40% | 0% | 0% | 100% 125% | 340% | 50% |
| President & Deputy CIO | 40% | 40% | 20% | 0% | 0% | 95% 115% | 300% | 50% |
| Managing Director - Investments | 30% | 40% | 30% | 0% | 0% | 85% 100% | 240% | 40% |
| Managing Director - Private Investments | 30% | 30% | 40% | 0% | 0% | 85% 100% | 240% | 40% |
| Senior Director - Investments | 25% | 35% | 40% | 0% | 0% | 60% 70% | 185% | 35% |
| Senior Portfolio Manager | 20% | 40% | 40% | 0% | 0% | 60% 70% | 185% | 35% |
| Senior Director - Risk Management | 30% | 0% | 70% | 0% | 0% | 50% 55% | 170% | 35% |
| Portfolio Manager | 20% | 40% | 40% | 0% | 0% | 50% 80% | 170% | 30% |
| Director - Investments | 20% | 40% | 40% | 0% | 0% | 50% 60% | 170% | 30% |
| Director - Private Investments | 20% | 30% | 50% | 0% | 0% | 50% 60% | 170% | 30% |
| Director - Risk Management | 30% | 0% | 70% | 0% | 0% | 40% 50% | 150% | 30% |
| Senior Associate - Investments | 15% | 35% | 50% | 0% | 0% | 40% 50% | 150% | 20% |
| Senior Associate - Private Investments | 15% | 25% | 60% | 0% | 0% | 40% 50% | 150% | 20% |
| Senior Associate - Risk Management | 30% | 0% | 70% | 0% | 0% | 40% 45% | 140% | 20% |
| Associate - Investments | 15% | 30% | 55% | 0% | 0% | 35% | 135% | 15% |
| Associate - Private Investments | 15% | 20% | 65% | 0% | 0% | 35% | 135% | 15% |
| Associate - Risk Management | 30% | 0% | 70% | 0% | 0% | 35% | 120% | 15% |
| Senior Analyst - Investments | 10% | 20% | 70% | 0% | 0% | 30% | 100% | 0% |
| Analyst - Investments | 10% | 20% | 70% | 0% | 0% | 25% | 75% | 0% |
| Analyst - Risk Management | 30% | 0% | 70% | 0% | 0% | 25% | 75% | 0% |
| <i>Operations/Support Professionals</i> | | | | | | | | |
| Senior Managing Director | 20% | 0% | 80% | 0% | 0% | 60% 65% | 150% | 40% |
| Chief Technology Officer | 20% | 0% | 80% | 0% | 0% | 50% 55% | 100% | 30% |
| General Counsel & Chief Compliance Officer | 0% | 0% | 100% | 0% | 0% | 50% | 120% | 30% |
| Senior Manager | 20% | 0% | 80% | 0% | 0% | 40% 50% | 90% | 25% |
| Manager | 20% | 0% | 80% | 0% | 0% | 40% 50% | 80% | 25% |
| Deal Attorney Investment Counsel | 20% | 0% | 80% | 0% | 0% | 40% | 80% | 25% |
| Senior Financial Analyst | 20% | 0% | 80% | 0% | 0% | 30% 40% | 60% | 20% |
| IT Investment Associate | 20% | 0% | 80% | 0% | 0% | 35% | 100% | 20% |

Appendix D, Table 2
Benchmarks for Entities and Asset/Class Investment Type
Threshold, Target, and Maximum Performance Standards
(9/1/123 through 8/31/134)

| Asset Class/Investment Type | Benchmark | Policy Portfolio Weights | | Performance Standards | | |
|--|---|--------------------------|------------------------|-----------------------|------------------|------------------|
| | | Total Endowment Assets | IIF | Threshold | Target | Maximum |
| | | (% of Portfolio) | (% of Portfolio) | | | |
| Entity: Benchmark (Total Endowment Funds) | Policy Portfolio | n/a | n/a | +0 bps | +75 +100 bps | +225 +250 bps |
| Entity: Benchmark (Intermediate Term Fund) | Policy Portfolio | n/a | n/a | +0 bps | +50 bps | +150 bps |
| Investment Grade Fixed Income | Barclays Capital Global Aggregate Index | 7.5% | 35.0% 30.0% | +0 bps | +25 bps | +62.5 bps |
| Real Estate | FTSE EPRA/NAREIT Developed Index NET TRI USD | 2.5% | 5.0% 3.0% | +0 bps | +62.5 bps | +150 bps |
| Natural Resources | 50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index | 7.5% | 7.5% 7.0% | +0 bps | +62.5 bps | +150 bps |
| Developed Country Equity | MSCI World Index with net dividends | 15.0% 14.0% | 10.0% 9.0% | +0 bps | +62.5 bps | +150 bps |
| Emerging Markets Equity | MSCI Emerging Markets with net dividends | 12.0% 10.0% | 7.5% 6.0% | +0 bps | +62.5 bps | +150 bps |
| Hedge Funds (Less Correlated & Constrained Investments) | Hedge Fund Research Indices Fund of Funds Composite Index | 30.0% | 35.0% 45.0% | +0 bps | +75 bps | +250 bps |
| Private Investments (excludes Real Estate) | Venture Economics Custom Index | 21.5% 23.3% | 0% | +0 bps | +100 +150 bps | +350 +450 bps |
| Private Investments Real Estate | NACREIF Custom Index | 4.0% 5.2% | 0% | +0 bps | +100 +150 bps | +325 +450 bps |
| Specific asset class benchmarks: | | | | | | |
| Credit-Related Fixed Income | Barclays Capital Global High Yield Index | | | +0 bps | +37.5 bps | +100 bps |
| Internal Investment Grade Fixed Income | US Barclays Capital Aggregate | | | +0 bps | +25 bps | +50 bps |

5. **U. T. System Board of Regents: Approval of the Annual Budget for FY 2014, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the proposed Annual Budget for the fiscal year ending August 31, 2014, as set forth on Pages 60 - 61, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth on Page 62.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of \$24.5 million for UTIMCO services, and \$7.7 million for external non-investment manager services such as custodial, legal, audit, and consulting services. These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. UTIMCO provides a comprehensive analysis annually to the U. T. System Office of Finance of all fees paid to external investment managers. The proposed Total Budgeted Costs were approved by the UTIMCO Board on November 4, 2013.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds in total. UTIMCO expenses are 8.4 bps of assets under management. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling \$1.0 million is included in the total Annual Budget.

UTIMCO projects that there will be no cash reserves available to be distributed back to the U. T. System funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO. The U. T. System Office of Business Affairs has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as a part of this Agenda Item on Pages 63 - 74.

UTIMCO ANNUAL BUDGET

| \$ in thousands | FY 2013 | | FY 2014 |
|--|-----------------|-----------------|-----------------|
| | Budget | Projected | Budget |
| Salaries, Benefits & Taxes | \$10,013 | \$9,553 | \$11,306 |
| Incentive Compensation, excluding one-time events* | 7,136 | 7,786 | 8,519 |
| Total Compensation | 17,149 | 17,339 | 19,825 |
| Other Expenses | 4,277 | 4,162 | 4,645 |
| Total UTIMCO Excluding One-time Events | 21,426 | 21,501 | 24,470 |
| One-time Events* | 2,700 | 4,179 | - |
| Total UTIMCO | \$24,126 | \$25,680 | \$24,470 |
| Other Investment-related Expenses Charged to the Funds | \$7,139 | \$7,179 | \$7,745 |

* *Deferred Compensation from 2012 and Retirement Vesting*

Prepared by: UTIMCO
Date: November 4, 2013

| \$ in thousands | |
|-------------------------------------|------------------------|
| <u>Salaries, Benefits and Taxes</u> | <u>\$ Change</u> |
| FY 2013 Projected | <u>\$9,553</u> |
| Increase due to: | |
| Current Run Rate | \$9,851 |
| New Positions | 595 |
| Promotions | 175 |
| Existing Staff | <u>685</u> |
| FY 2014 Budget | <u><u>\$11,306</u></u> |

Prepared by: UTIMCO

UTIMCO Management Fee and Direct Budgeted Investment Expenses
 Annual Fee and Allocation Schedule
 For the fiscal year ending August 31, 2014

| <u>Proposed Budget</u> | <u>Fund Name</u> | | | | | | <u>Separate Funds</u> | <u>Total</u> |
|---|------------------|------------|------------|-------------------------|------------|------------|-----------------------|--------------|
| | PUF | PHF | LTF | GEF | ITF | STF | | |
| <u>Market Value 2/28/13 (\$ millions)</u> | 14,242 | 1,015 | 6,420 | PHF LTF 7,435 (1) | 5,243 | 1,626 | 653 | 29,199 |
| <u>UTIMCO Management Fee</u> | | | | | | | | |
| Dollars (thousands) | 12,302 | 1,063 | 6,915 | | 4,190 | | | 24,470 |
| Basis Points | 8.6 | 10.5 | 10.8 | 0 | 8.0 | 0 | 0 | 8.4 |
| <u>Direct Expenses to the Fund</u> | | | | | | | | |
| Dollars (thousands) | 3,529 | 19 | 21 | 2,152 | 2,024 | | | 7,745 |
| Basis Points | 2.5 | 0.2 | 0.0 | 2.9 | 3.9 | 0 | 0 | 2.7 |

(1) Pooled Fund for the collective investment of the PHF and LTF

Prepared by: UTIMCO
 Date: November 4, 2013

Fiscal Year 2014

**Review of UTIMCO Services Budget and
Other Direct Costs to Funds
Excluding External Investment Manager Fees**

**The University of Texas System
Office of Finance**

Presented by:

Terry Hull – Associate Vice Chancellor for Finance

Allen Hah – Assistant Vice Chancellor for Finance

November 4, 2013

Based on UTIMCO Board approval on November 4, 2013

Fiscal Year 2014 Review of UTIMCO Services Budget and Other Direct Costs to Funds Excluding External Investment Manager Fees

Table of Contents

| | Page |
|---|-------------|
| Contents | |
| Executive Summary | 2 |
| Budget Analysis and Trends | 3 |
| Table 1: Total Budgeted Costs Trend FY09-FY14 | 3 |
| Table 2: FY13 Forecast and FY14 Budget Overview | 4 |
| Direct Costs to Funds..... | 5 |
| UTIMCO Services Budget..... | 5 |
| Table 3: UTIMCO Compensation and Headcount FY09-FY14..... | 6 |
| Table 3a: UTIMCO Compensation and Headcount FY09-FY14 | 6 |
| Table 4: UTIMCO Lease Expenses FY09-FY14 | 7 |
| UTIMCO Capital Expenditures | 7 |
| Table 5: UTIMCO Capital Expenditures FY09-FY14 | 8 |
| EXHIBIT A | |
| Total Budgeted Costs FY13-FY14 | 9 |
| EXHIBIT B | |
| Total Budgeted Costs FY09-FY14 | 10 |
| EXHIBIT C | |
| UTIMCO Reserve Analysis for August 31, 2013..... | 11 |

Executive Summary

This report reviews the UTIMCO Services budget and other budgeted investment management expenses (“Direct Costs to Funds”) for fiscal year 2014 that the UTIMCO Board approved on November 4, 2013 and the U. T. System Board of Regents will consider at its November 14, 2013 meeting. The UTIMCO Services budget includes corporate expenses paid directly by UTIMCO. The Direct Costs to Funds budget includes costs related to custody, consulting, corporate legal, audit, and risk measurement. The proposed budget for FY14 is:

| | FY14 <u>(\$ millions)</u> |
|--|--|
| • UTIMCO Services Budget | 24.5 |
| • Direct Costs to Funds: Other Costs | <u>7.7</u> |
| Total Budgeted Costs excluding external manager fees | <u>\$ 32.2</u> |

The Total Budgeted Costs excludes external manager fees that are paid by the funds and netted from asset values as well as external investment manager fees paid directly by UTIMCO. The total investment costs for UTIMCO managed funds, comprising Investment Manager Fees paid directly and fees netted against asset values, are reviewed in a separate report.

Highlights:

- **Total Budgeted Costs for FY14:** The FY14 budget is \$32.2 million, a 3.0% increase from the FY13 budget. Budgeted costs in FY13 were adjusted to account for performance compensation that was deferred from FY12 into FY13 in accordance with extraordinary event provisions of the UTIMCO Compensation Program.
- **Total Forecasted Costs for FY13:** Total forecasted costs for FY13 are projected at \$32.9 million or 5% over the FY13 budget. The increase is due primarily to forecasted incentive compensation exceeding budgeted amounts (due to extraordinary event and one-time accounting adjustments), partially offset from actual savings in unfilled budgeted positions.
- **The Total Direct Costs to Funds budget (excluding external investment manager fees):** The FY14 budget of \$7.7 million for direct fund costs is up 8.5% from the FY13 budget. The increase is due to higher budgeted custodian fees related to additional separately managed accounts. These expenses were netted against the net asset values in fund investments and thus represent a change in how they are accounted for and not an increase in actual expenses.
- **The UTIMCO Services Budget: The FY14 budget is \$24.5 million** for the “operating” budget of UTIMCO, a 1.4% increase from the FY13 budget. The increase in the UTIMCO Services Budget is attributable to increases in non-employee related expenses as budgeted employee-related expenses are roughly unchanged given the impact of one-time events included in the FY13 UTIMCO Services budget.
- **Compensation: Compensation-related expenses represent approximately 81% of the UTIMCO Services Budget.** Aggregate salaries, including benefits and taxes, for FY14 are budgeted to be up 13% from the FY13 budget. Budgeted salaries for FY14 include an 8% increase for existing staff (excluding promotions) and two open positions and five new positions. Budgeted performance compensation for FY 14 reflects a decrease due in part to the inclusion of \$2.7 million in the FY13 budget for FY12 performance compensation deferred into FY13 due to negative endowment returns for the performance period ending June 30, 2012.
- **UTIMCO Reserves:** UTIMCO staff projects that UTIMCO will have no cash reserves available to be distributed at fiscal year-end 2013. We concur with UTIMCO staff in recommending that no distribution of reserves be made at this time.

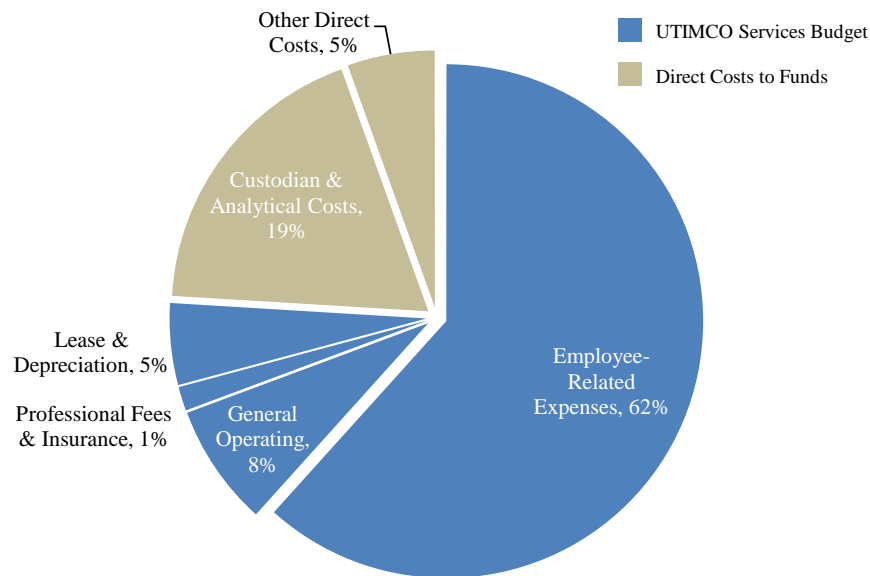
Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY14 of \$32.2 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget excluding external manager fees) as a percent of average Assets Under Management (“AUM”) since FY09.

Table 1: Total Budgeted Costs Trend FY09-FY14
(\$ millions)

| | FY09 | FY10 | FY11 | FY12 | Projected FY13 | Budget FY14 |
|---|--------|--------|--------|--------|-------------------|----------------|
| Average Total AUM | 21,864 | 21,750 | 24,840 | 27,235 | 28,886 | 28,886 |
| % Change in AUM | 0% | -1% | 14% | 10% | 6% | 0% |
| Direct Costs to Funds | 5.0 | 5.7 | 7.8 | 7.3 | 7.2 | 7.7 |
| % Change in Direct Costs to Funds | -19.0% | 13.2% | 36.1% | -5.4% | -2.2% | 7.9% |
| Direct Costs to Funds % of AUM | 0.02% | 0.03% | 0.03% | 0.03% | 0.02% | 0.03% |
| UTIMCO Services Budget | 15.1 | 16.6 | 18.2 | 15.9 | 25.7 | 24.5 |
| % Change in UTIMCO Services Budget | 8.9% | 9.5% | 9.7% | -12.3% | 61.2% | -5.0% |
| UTIMCO Services Budget % of AUM | 0.07% | 0.08% | 0.07% | 0.06% | 0.09% | 0.08% |
| Total Budgeted Costs | 20.2 | 22.3 | 25.9 | 23.3 | 32.9 | 32.2 |
| % Change in Total Budgeted Costs | 0.3% | 10.5% | 16.5% | -10.2% | 41.2% | -2.0% |
| Total Budgeted Costs % of AUM | 0.09% | 0.10% | 0.10% | 0.09% | 0.11% | 0.11% |

FY 14 Total Budgeted Costs
(Excluding external manager fees)
\$32.2 million



The pie chart above shows the breakdown of Total Budgeted Costs. The UTIMCO Services Budget represents 76% of the total budget, with employee-related expenses being the largest component at 62%. Direct Costs to Funds include Custodian & Analytical Costs (19%) and Other Direct Costs (6%).

Management fees and performance fees paid to external investment managers, which are either paid directly by UTIMCO or netted against asset values by the external managers, are not included in these amounts. UTIMCO retains external managers for approximately 90% of the AUM, with UTIMCO staff directly managing approximately 10% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY13 and FY14. Refer to Exhibits A and B for a detailed budget comparison for FY13-FY14 and budget trend for FY09-FY14.

Table 2: FY13 Forecast and FY14 Budget Overview
(\$ millions)

| | FY13 | | | | FY14 | | | |
|-------------------------------|-----------|--------------|--------------------------|-------------------------|-----------|-----------------------------|----------------------------|-------------------------|
| | \$ Budget | \$ Projected | \$ Change vs FY13 Budget | % Change vs FY13 Budget | \$ Budget | \$ Change vs FY13 Projected | % Change vs FY13 Projected | % Change vs FY13 Budget |
| UTIMCO Services Budget | 24.13 | 25.68 | 1.55 | 6.4% | 24.47 | -1.21 | -4.7% | -5.0% |
| Direct Costs to Funds | 7.14 | 7.18 | 0.04 | 0.6% | 7.74 | 0.57 | 7.9% | 7.9% |
| Total Budgeted Costs | 31.26 | 32.86 | 1.59 | 5.1% | 32.21 | -0.64 | -2.0% | -2.1% |

FY13 Forecast versus FY13 Budget: UTIMCO staff projects FY13 Total Budgeted Costs will be \$32.9 million, \$1.6 million (5.1%) over the FY13 budget of \$31.3 million. The increase is due primarily to forecasted incentive compensation exceeding budgeted amounts, partially offset from savings in unfilled budgeted positions.

- UTIMCO Services expenses are projected to be over budget by \$1.6 million, due primarily to forecasted incentive compensation exceeding budgeted amounts.
 - Salaries excluding performance compensation awards are projected to be \$389k (4.9%) under budget due to unfilled budgeted positions.
 - Performance compensation is projected to be \$2.1 million (22%) over budget due to the acceleration of performance awards for retirement purposes.
 - Online data service expenses are projected to be \$73k (6%) under budget.
 - Travel & Meetings expenses, including BOD meetings, are projected to be \$85k (14%) under budget.
 - Corporate legal expenses are expected to be \$86k (49%) under budget.
- Direct Costs to Funds are generally in line with FY13 budgeted amounts.
 - Custodian fees are projected to be \$132k (3%) over budget offset by performance measurement expenses that are expected to be \$112k (22%) under budget.
 - Investment legal fees are projected to be \$134k (25%) over budget.
- Capital Expenditures are forecasted at \$543k (40%) under budget. Capital expenses for new technology initiatives originally budgeted for FY13 are now budgeted to occur in FY14.

FY14 Proposed Budget: The proposed \$32.2 million Total Budgeted Costs for FY14 is 3% higher than the approved FY13 budget with \$942k of the increase attributable to the inclusion of new and replacement employees.

- FY14 Direct Costs to Funds of \$7.7 million are budgeted to increase 8.5% versus budgeted costs for FY13 primarily due to higher custodian fees, partially offset by lower budgeted consultant fees.
- UTIMCO Services costs for FY14 are budgeted to be \$24.5 million, an increase of 1.4% over FY13 budgeted costs. Budgeted performance compensation for FY13 included provisions for one-time events related to the implementation of a retirement program and a deferral of FY12 performance compensation from FY12 into FY13. Savings in performance compensation budgeted in FY14 are partially offset by increased salaries and wages.
- Capital Expenditures are budgeted at \$1.03 million in FY14, a decrease of 23% compared to the FY13 budget. UTIMCO continues implementing technology initiatives recommended by its new Chief Technology Officer, primarily related to two key initiatives: a document management system and an investment support system.

Direct Costs to Funds

Direct Costs to Funds for FY14, excluding external manager fees, are projected at \$7.7 million.

Custodian and Analytical Costs: Custodian and analytical costs for FY13 are projected at \$5.2 million, in line with FY13 budgeted amounts. Custodian fees are budgeted to increase \$707k in FY14, primarily due to the use of more separately managed accounts in emerging markets. Aggregate costs for performance measurement, analytical tools and risk measurement are budgeted at \$1.2 million in FY14, unchanged from FY13 budgeted amounts.

Auditing expenses in FY13 of \$465k funded external auditors and U. T. System Audit Office fees and matched FY13 budgeted amounts. Audit expenses are budgeted at \$478k for FY14 reflecting a 3% increase from Deloitte and Touche with no change in U. T. System Audit Office fees.

Other Costs: Foreign tax, legal, and other consultant fees are projected at \$1.47 million in FY13, in line with the FY13 budget of \$1.42 million. For FY14, these costs are budgeted at \$1.3 million, a 9% decline from FY13 budgeted amounts. The decrease is primarily driven by lower costs for consultants (\$68k), background searches (\$34k), and foreign tax consultants (\$37k).

UTIMCO Services Budget

For FY12, total personnel-related expenses including employee benefits account for 78% of the UTIMCO Services budget (55% of Total Budgeted Costs, excluding external manager fees). Trends in staffing and total compensation in relation to assets are shown in Table 3 and Table 3a on the next page. Table 3a adjusts for a one-time deferral of incentive compensation, decreasing FY13 performance compensation by \$3.6 million and increasing FY12 performance compensation by the same amount. Highlights from these tables include:

- Staffing was relatively steady through FY12, but increased to 63 positions in FY13 with 69 positions budgeted for FY14.
- Average AUM per employee has grown approximately 5% annually from FY09 to FY13, but is projected to fall given additional staff.
- Aggregate salaries for FY14 are projected to be 38% above FY09 levels.
- Projected performance compensation for FY14 reflects a 2% increase compared to FY13, after adjusting for the deferral of a significant portion of FY12 performance compensation into FY13.

- Total employee compensation has increased from \$9.7 million in FY09 to \$17.4 million budgeted for FY14.
- Since FY09, total compensation per employee has increased 10% (annualized) to \$252k forecasted in FY13, after adjusting for the impact of the FY12 performance deferral into FY 2013.

Table 3: UTIMCO Compensation and Headcount FY09-FY14

| | FY09 | FY10 | FY11 | FY12 | Projected FY13 | % Change Since FY09 (annual) | Budget FY14 | % Change From FY13 |
|--|---------|---------|---------|---------|-------------------|--|----------------|-----------------------------|
| Employees (as of year end) | 57 | 57 | 56 | 58 | 63 | 2.5% | 69 | 9.5% |
| Average Total AUM (\$ millions) | 21,864 | 21,750 | 24,840 | 27,235 | 28,886 | 7.2% | 28,886 | 0.0% |
| Average AUM/Employee (\$ millions) | 384 | 382 | 444 | 470 | 459 | 4.6% | 419 | -8.7% |
| Salaries and Wages (\$ millions) | 6.4 | 6.5 | 6.4 | 6.9 | 7.6 | 4.2% | 8.9 | 17.5% |
| Performance Compensation (\$ millions) | 3.2 | 4.5 | 6.3 | 3.3 | 12.0 | 38.6% | 8.5 | -28.8% |
| Total Compensation (\$ millions) | 9.7 | 10.9 | 12.7 | 10.2 | 19.6 | 19.2% | 17.4 | -10.8% |
| Total Compensation per Employee (\$) | 169,985 | 192,012 | 227,029 | 175,328 | 310,352 | 16.2% | 252,719 | -18.6% |
| Perf. Comp. as % of Salaries and Wages | 50% | 70% | 98% | 47% | 158% | | 96% | |
| Perf. Comp. as % of Total Compensation | 33% | 41% | 49% | 32% | 61% | | 49% | |

Table 3a: UTIMCO Compensation and Headcount FY09-FY14

(Adjusted for Extraordinary Event Impacting FY12 – FY13)

| | FY09 | FY10 | FY11 | FY12 | Projected FY13 | % Change Since FY09 (annual) | Budget FY14 | % Change From FY13 |
|--|---------|---------|---------|---------|-------------------|--|----------------|-----------------------------|
| Employees (as of year end) | 57 | 57 | 56 | 58 | 63 | 2.5% | 69 | 9.5% |
| Average Total AUM (\$ millions) | 21,864 | 21,750 | 24,840 | 27,235 | 28,886 | 7.2% | 28,886 | 0.0% |
| Average AUM/Employee (\$ millions) | 384 | 382 | 444 | 470 | 459 | 4.6% | 419 | -8.7% |
| Salaries and Wages (\$) | 6.4 | 6.5 | 6.4 | 6.9 | 7.6 | 4.2% | 8.9 | 17.5% |
| Performance Compensation (\$) | 3.2 | 4.5 | 6.3 | 6.9 | 8.4 | 26.7% | 8.5 | 1.9% |
| Total Compensation (\$) | 9.7 | 10.9 | 12.7 | 13.8 | 15.9 | 13.3% | 17.4 | 9.4% |
| Total Compensation per Employee (\$) | 169,985 | 192,012 | 227,029 | 237,954 | 253,077 | 10.5% | 252,719 | -0.1% |
| Perf. Comp. as % of Salaries and Wages | 50% | 70% | 98% | 100% | 110% | | 96% | |
| Perf. Comp. as % of Total Compensation | 33% | 41% | 49% | 50% | 52% | | 49% | |

Staffing: The FY13 budget was based on staffing of 66 employees; actual staffing was 63 employees at fiscal year-end 2013. The FY14 budget is based on staffing of 69 employees.

Personnel-related Expenses:

- **Salaries and Wages** are projected to be \$7.6 million in FY13, \$388k (5%) under budget, primarily due to budgeted but unfilled positions. Aggregate salaries and wages are budgeted at \$8.9 million in FY14, an increase of 17.5% compared to the FY13 budget. The FY14 budget reflects an average 8% salary increase for existing staff, excluding promotions. Including promotions, salary increases for

existing staff average 9%. Budgeted salaries for FY14 are based on 69 positions, up from 63 staff at Aug. 31, 2013.

- **Performance Compensation** for FY13 is forecast to be \$2.1 million over budget, or 22%. Negative endowment returns in FY12 resulted in a significant portion of performance compensation being deferred to FY13. Also, the initiation of a new retirement program caused an increase in FY13 performance compensation as vested employee awards were no longer deferred. The FY14 budget of \$8.5 million in performance compensation is 13% lower than budgeted FY13 amounts due not only to the one-time events included in FY13 but also budgeted future performance awards at 70% of maximum.
- **Employee Benefits** are budgeted to increase 23% from \$1.3 million in FY13 to \$1.6 million in FY14. The budget reflects a 15% increase in the cost of medical coverage, a 5% increase in the cost of dental coverage, and additional staff positions. Employee benefit costs for FY13 are expected to come in at budgeted levels.

General Operating Expenses (non-employee) including office expenses, lease expenses, insurance, travel and accounting fees are forecasted to be slightly under budget in FY13 at \$4.1 million versus a budget of \$4.2 million. General operating expenses for FY14 are budgeted to increase 9% to \$4.6 million. The \$365k budgeted increase primarily relates to increased travel (\$55k), disaster recovery and other contract services (\$68k), computer hardware and software maintenance costs (\$80k), and lease expense (\$71k).

Lease Expenses: Lease expenses are budgeted to increase 7% compared to FY13 budgeted amounts, due to higher operating expenses from increased property taxes. Parking expenses are also budgeted to increase due to additional staffing. Lease expenses for FY13 are projected to slightly exceed FY13 budgeted amounts due to increased operating expenses.

Table 4: UTIMCO Lease Expenses FY09-FY14

| | FY09 | FY10 | FY11 | FY12 | Projected FY13 | Budget FY14 |
|--|-------------|-------------|-------------|-------------|----------------|-------------|
| Property Lease | \$518,373 | \$518,373 | \$518,373 | \$518,373 | \$518,373 | \$518,376 |
| Operating Expenses | \$515,848 | \$538,894 | \$468,651 | \$513,894 | \$554,516 | \$571,644 |
| Parking Expenses | \$96,847 | \$107,940 | \$111,911 | \$114,677 | \$124,666 | \$129,000 |
| Other Expenses | \$1,461 | \$8,969 | \$6,900 | \$7,334 | \$7,966 | \$9,000 |
| Amortization (Deferred Rent Credit) | (\$170,344) | (\$170,344) | (\$170,344) | (\$170,344) | (\$170,344) | (\$170,352) |
| Total Lease Expenses (net) | \$962,185 | \$1,003,832 | \$935,490 | \$983,934 | \$1,035,176 | \$1,057,668 |

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY09-FY14 is summarized in Table 5. The Chief Technology Officer, hired in March 2012, identified several key initiatives including document management, disaster recovery efforts, and upgrading video conferencing and phone systems that significantly increased capital expenditures in FY13 compared to preceding years. Total capital expenditures are forecasted to be \$807k in FY13, which is below the \$1.35 million FY13 budgeted amount. Capex is budgeted at \$1.0 million in FY14, with the majority of expenditures focused on two key initiatives: a document management system and an investment support system. The document management system is intended to standardize file structures, have enhanced security and search functionality, and assist in record retention. The investment

Fiscal Year 2014 Review of UTIMCO Services Budget and Other Direct Costs to Funds

Prepared by the U. T. System Office of Finance

November 4, 2013

support system will provide investment staff with better access to information from differing perspectives and levels of detail, better automation, and the ability to quickly produce cross-portfolio analysis.

Table 5: UTIMCO Capital Expenditures FY09-FY14

| | FY09 | FY10 | FY11 | FY12 | Projected FY13 | Budget FY14 |
|---|-------------|-------------|-------------|-------------|---------------------------|------------------------|
| Ongoing: Technology and Software Upgrades | \$113,502 | \$48,169 | \$122,048 | \$121,416 | \$89,146 | \$87,000 |
| Ongoing: Office Equipment and Fixtures | \$22,672 | \$32,168 | \$43,700 | \$20,021 | \$105,290 | - |
| Expansion: Software Development Initiative | - | - | - | - | \$580,647 | \$948,000 |
| Expansion: Video Conferencing | - | - | - | - | \$31,834 | - |
| Total Capital Expenditures (net) | \$136,174 | \$80,337 | \$165,748 | \$141,437 | \$806,917 | \$1,035,000 |

EXHIBIT A

Total Budgeted Costs FY13-FY14

| | FY13 | | Change from FY13 Budget | | FY14 Budget | Change from FY13 Projected | | Change from FY13 Budget | |
|---|-------------------|-------------------|----------------------------|---------------|-------------------|-------------------------------|---------------|----------------------------|---|
| | Budget | Projected | \$ | % | | \$ | % | \$ | % |
| UTIMCO Services | | | | | | | | | |
| Salaries and Wages + Vacation | 7,976,326 | 7,587,688 | -388,639 | -4.9% | 8,918,824 | 1,331,136 | 17.5% | 11.8% | |
| Performance Compensation + Earnings | 9,835,675 | 11,988,497 | 2,152,822 | 21.9% | 8,518,781 | -3,469,716 | -28.9% | -13.4% | |
| Total Compensation | 17,812,001 | 19,576,184 | 1,764,183 | 9.9% | 17,437,605 | -2,138,580 | -10.9% | -2.1% | |
| Total Payroll taxes | 691,706 | 642,043 | -49,663 | -7.2% | 724,097 | 82,054 | 12.8% | 4.7% | |
| 403(b) Contributions | 612,659 | 566,318 | -46,341 | -7.6% | 688,825 | 122,507 | 21.6% | 12.4% | |
| Insurance & Cell Phone | 679,817 | 701,274 | 21,458 | 3.2% | 898,433 | 197,158 | 28.1% | 32.2% | |
| Employee Benefits | 1,292,476 | 1,267,592 | -24,883 | -1.9% | 1,587,258 | 319,665 | 25.2% | 22.8% | |
| Recruiting and Relocation Expenses | 30,000 | 25,979 | -4,021 | -13.4% | 33,000 | 7,021 | 27.0% | 10.0% | |
| Employee Education | 52,464 | 55,124 | 2,660 | 5.1% | 75,468 | 20,344 | 36.9% | 43.8% | |
| Other Employee Related Expenses | 82,464 | 81,103 | -1,361 | -1.7% | 108,468 | 27,365 | 33.7% | 31.5% | |
| Total Employee Related Expenses | 19,878,647 | 21,566,923 | 1,688,276 | 8.5% | 19,857,427 | -1,709,496 | -7.9% | -0.1% | |
| On-Line Data & Contract Services | 1,237,932 | 1,164,734 | -73,198 | -5.9% | 1,333,728 | 168,994 | 14.5% | 7.7% | |
| Travel & Meetings, Including BOD | 622,000 | 536,748 | -85,252 | -13.7% | 676,000 | 139,252 | 25.9% | 8.7% | |
| Phone and Telecommunications | 33,720 | 36,781 | 3,061 | 9.1% | 48,636 | 11,855 | 32.2% | 44.2% | |
| Computer & Office Supplies | 54,600 | 50,392 | -4,208 | -7.7% | 52,740 | 2,348 | 4.7% | -3.4% | |
| Repairs/Maintenance | 174,996 | 191,971 | 16,975 | 9.7% | 256,572 | 64,601 | 33.7% | 46.6% | |
| Other Office Expenses | 70,928 | 92,250 | 21,322 | 30.1% | 96,840 | 4,590 | 5.0% | 36.5% | |
| Total Office Expense | 334,244 | 371,393 | 37,149 | 11.1% | 454,788 | 83,395 | 22.5% | 36.1% | |
| Total Lease Expense | 986,952 | 1,035,176 | 48,224 | 4.9% | 1,057,668 | 22,492 | 2.2% | 7.2% | |
| Board, Comp., & Hiring Consultants | 46,500 | 165,341 | 118,841 | 255.6% | 80,100 | -85,241 | -51.6% | 72.3% | |
| Legal Expenses | 174,000 | 88,279 | -85,721 | -49.3% | 140,400 | 52,121 | 59.0% | -19.3% | |
| Accounting fees | 40,500 | 49,268 | 8,768 | 21.6% | 52,500 | 3,232 | 6.6% | 29.6% | |
| Total Professional Fees | 261,000 | 302,888 | 41,888 | 16.0% | 273,000 | -29,888 | -9.9% | 4.6% | |
| Total Insurance | 204,900 | 207,103 | 2,203 | 1.1% | 216,900 | 9,797 | 4.7% | 5.9% | |
| Depreciation of Equipment | 600,000 | 518,707 | -81,293 | -13.5% | 600,000 | 81,293 | 15.7% | 0.0% | |
| Total Non-Employee Related Expenses | 4,247,028 | 4,136,750 | -110,278 | -2.6% | 4,612,084 | 475,334 | 11.5% | 8.6% | |
| Total UTIMCO Services | 24,125,675 | 25,703,673 | 1,577,998 | 6.5% | 24,469,511 | -1,234,162 | -4.8% | 1.4% | |
| Direct Costs to Funds | | | | | | | | | |
| Custodian Fees and Other Direct Costs | 4,029,043 | 4,160,625 | 131,582 | 3.3% | 4,736,135 | 575,510 | 13.8% | 17.5% | |
| Performance Measurement | 513,087 | 401,220 | -111,867 | -21.8% | 500,787 | 99,567 | 24.8% | -2.4% | |
| Analytical Tools | 391,665 | 390,371 | -1,294 | -0.3% | 409,559 | 19,188 | 4.9% | 4.6% | |
| Risk Measurement | 315,500 | 292,000 | -23,500 | -7.4% | 324,000 | 32,000 | 11.0% | 2.7% | |
| Custodian and Analytical Costs | 5,249,295 | 5,244,216 | -5,079 | -0.1% | 5,970,481 | 726,264 | 13.8% | 13.7% | |
| Consultant Fees | 418,750 | 403,304 | -15,446 | -3.7% | 351,000 | -52,304 | -13.0% | -16.2% | |
| Auditing | 465,000 | 465,410 | 410 | 0.1% | 477,880 | 12,470 | 2.7% | 2.8% | |
| Legal Fees | 526,000 | 659,516 | 133,516 | 25.4% | 537,500 | -122,016 | -18.5% | 2.2% | |
| Background Searches & Other | 479,725 | 406,479 | -73,246 | -15.3% | 408,109 | 1,629 | 0.4% | -14.9% | |
| Other Direct Costs Total | 1,889,475 | 1,934,709 | 45,234 | 2.4% | 1,774,489 | -160,220 | -8.3% | -6.1% | |
| Total Direct Costs to Funds | 7,138,770 | 7,178,925 | 40,155 | 0.6% | 7,744,969 | 566,044 | 7.9% | 8.5% | |
| Total Budgeted Costs | 31,264,445 | 32,882,598 | -17,577,485 | -56.2% | 32,214,480 | -668,117 | -2.0% | 3.0% | |

EXHIBIT B

Total Budgeted Costs FY09-FY14

| | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual | Actual | Actual | Actual | Projected | Budget |
| UTIMCO Services | | | | | | |
| Salaries and Wages + Vacation | 6,443,360 | 6,454,270 | 6,422,656 | 6,903,383 | 7,587,688 | 8,918,824 |
| Performance Compensation + Earnings | 3,245,765 | 4,490,396 | 6,290,993 | 3,265,622 | 11,988,497 | 8,518,781 |
| Total Compensation | 9,689,125 | 10,944,666 | 12,713,649 | 10,169,005 | 19,576,184 | 17,437,605 |
| Total Payroll taxes | 449,846 | 479,799 | 492,963 | 472,196 | 642,043 | 724,097 |
| 403(b) Contributions | 478,096 | 487,207 | 485,227 | 515,669 | 566,318 | 688,825 |
| Insurance & Cell Phone | 602,258 | 617,525 | 585,957 | 619,546 | 701,274 | 898,433 |
| Employee Benefits | 1,080,354 | 1,104,732 | 1,071,184 | 1,135,215 | 1,267,592 | 1,587,258 |
| Recruiting and Relocation Expenses | 16,697 | 2,594 | 15,210 | 49,522 | 25,979 | 33,000 |
| Employee Education | 6,230 | 37,381 | 30,159 | 36,287 | 55,124 | 75,468 |
| Other Employee-Related Expenses | 22,927 | 39,975 | 45,369 | 85,809 | 81,103 | 108,468 |
| Total Employee Related Expenses | 11,242,252 | 12,569,172 | 14,323,165 | 11,862,225 | 21,566,923 | 19,857,427 |
| On-Line Data & Contract Services | 894,096 | 965,058 | 1,003,058 | 1,038,036 | 1,164,734 | 1,333,728 |
| Travel & Meetings, Including BOD | 303,392 | 479,393 | 416,713 | 588,240 | 536,748 | 676,000 |
| Phone and Telecommunications | 72,014 | 77,524 | 69,072 | 32,976 | 36,781 | 48,636 |
| Computer & Office Supplies | 93,136 | 89,027 | 80,768 | 49,748 | 50,392 | 52,740 |
| Repairs/Maintenance | 188,875 | 181,288 | 182,535 | 160,071 | 191,971 | 256,572 |
| Other Office Expenses | 29,426 | 60,097 | 52,400 | 105,966 | 92,250 | 96,840 |
| Total Office Expense | 383,451 | 407,936 | 384,775 | 348,762 | 371,393 | 454,788 |
| Total Lease Expense | 962,184 | 1,003,831 | 935,490 | 983,934 | 1,035,176 | 1,057,668 |
| Board, Compensation, & Hiring Consultants | 129,650 | 86,400 | 44,500 | 211,000 | 165,341 | 80,100 |
| Legal Expenses | 337,065 | 194,930 | 247,303 | 106,483 | 88,279 | 140,400 |
| Accounting fees | 41,035 | 33,135 | 38,950 | 51,975 | 49,268 | 52,500 |
| Total Professional Fees | 507,750 | 314,465 | 330,753 | 369,458 | 302,888 | 273,000 |
| Total Insurance | 240,218 | 248,126 | 227,326 | 208,729 | 207,103 | 216,900 |
| Depreciation of Equipment | 590,929 | 579,925 | 552,739 | 533,872 | 518,707 | 600,000 |
| Total Non-Employee Related Expenses | 3,882,020 | 3,998,734 | 3,850,854 | 4,071,032 | 4,136,750 | 4,612,084 |
| Total UTIMCO Services | 15,124,272 | 16,567,906 | 18,174,019 | 15,933,256 | 25,703,673 | 24,469,511 |
| Direct Costs to Funds | | | | | | |
| Custodian Fees and Other Direct Costs | 1,918,015 | 2,277,038 | 4,452,927 | 4,200,390 | 4,160,625 | 4,736,135 |
| Performance Measurement | 417,322 | 405,838 | 408,525 | 429,584 | 401,220 | 500,787 |
| Analytical Tools | 347,713 | 351,642 | 342,534 | 358,697 | 390,371 | 409,559 |
| Risk Measurement | 416,416 | 377,458 | 292,000 | 292,000 | 292,000 | 324,000 |
| Custodian and Analytical Costs | 3,099,466 | 3,411,976 | 5,495,986 | 5,280,671 | 5,244,216 | 5,970,481 |
| Consultant Fees | 567,125 | 485,625 | 554,891 | 415,375 | 403,304 | 351,000 |
| Auditing | 733,097 | 692,093 | 677,000 | 371,779 | 465,410 | 477,880 |
| Legal Fees | 464,600 | 973,934 | 795,933 | 786,122 | 659,516 | 537,500 |
| Background Searches & Other | 168,039 | 134,673 | 231,403 | 484,991 | 406,479 | 408,109 |
| Other Direct Costs Total | 1,932,861 | 2,286,325 | 2,259,227 | 2,058,267 | 1,934,709 | 1,774,489 |
| Total Direct Costs to Funds | 5,032,327 | 5,698,301 | 7,755,213 | 7,338,938 | 7,178,925 | 7,744,969 |
| Total Budgeted Costs | 20,156,599 | 22,266,207 | 25,929,232 | 23,272,194 | 32,882,598 | 32,214,480 |

EXHIBIT C
UTIMCO Reserve Analysis for August 31, 2013

| | | |
|---|------------|---------------------|
| Projected Cash Reserves at August 31, 2013 | | |
| Cash | | 10,234,124 |
| Prepaid Expenses | | 589,180 |
| Less: Accounts Payable (Includes incentive compensation & earnings payable) | | (5,955,913) |
| Expected Cash Reserves at August 31, 2013 | | <u>\$ 4,867,391</u> |
| FY14 Proposed Operating Budget | 24,469,511 | |
| Applicable Percentage | 25% | 6,117,378 |
| FY14 Proposed Capital Expenditures | 1,034,900 | <u>1,034,900</u> |
| Required Cash Reserves at August 31, 2013 | | <u>\$ 7,152,278</u> |
| Balance Available for Distribution | | \$ (2,284,887) |
| Recommended Distribution | | \$ - |

6. **U. T. System Board of Regents: Report on the Opportune LLP External Review and Assessment of University Lands, recommendations from the University Lands Advisory Committee, and approval of an additional \$1,350,000 of Permanent University Funds**

REPORT AND RECOMMENDATIONS

Executive Vice Chancellor Kelley and Mr. Jim Benson, Executive Director of University Lands, will present the Report on the Opportune LLP External Review and Assessment of University Lands and the recommendations from the University Lands Advisory Committee.

Based on that report and the work of the Committee, the Chancellor, with the concurrence of the Executive Vice Chancellor for Business Affairs, recommends that the Board

- a. adopt a compensation plan for the Office of University Lands to be competitive in the Midland labor market;
- b. authorize the Office of University Lands to increase staffing levels by up to 10 additional full-time employees (FTEs) for specific value-added operations of lease forfeiture and lease termination;
- c. authorize an additional \$1,350,000 of Permanent University Funds (PUF) salary budget to implement the first two recommendations; and
- d. authorize the Chancellor to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

BACKGROUND INFORMATION

In the first quarter of Fiscal Year 2013, the Office of Business Affairs reviewed and summarized University Lands management and in particular, strategies that might increase the value of the PUF. In recent years, the PUF Lands have dramatically increased in value as a result of greater oil and gas production coupled with higher prices for oil and gas. Revenues from oil and gas royalties, lease bonuses, and other sources reached an all-time high of \$954 million in FY 2012. An analysis dated November 19, 2012, prepared by the Office of Business Affairs concluded that the PUF Lands are worth approximately \$7.5 - \$8.0 billion. The PUF Lands are managed by the Office of University Lands, which is staffed by up to 44 professionals based in Midland, Texas. The conclusions of this first quarter review were that to increase the value of the PUF, the value of PUF Lands must be increased. The first step in that process was to conduct an organizational review of the Office of University Lands.

On January 18, 2013, a Request for Proposal (RFP) was issued to solicit respondents to analyze and make recommendations regarding current business practices and processes, additional functions that may add value, staffing levels and compensation, and to prepare a final report. Opportune LLP was awarded the contract effective April 29, 2013.

On July 10, 2013, Chairman Powell and Chancellor Cigarroa announced the appointment of the University Lands Advisory Committee to serve in an advisory role to the U. T. System Board of Regents, the Board for Lease of University Lands, and to U. T. System Administration. The primary benefit of the Advisory Committee is to increase the level of expertise and to suggest value-added recommendations that may be employed in the management of the PUF Lands. The Advisory Committee is made up of industry leaders with expertise in oil and gas, real estate, and finance.

The University Lands Advisory Committee met on July 15, 2013, for a presentation and discussion about the findings made by Opportune during their review and assessment. The draft report was issued by Opportune LLP on August 29, 2013. A second meeting on October 3, 2013, allowed the Advisory Committee to review the Opportune draft reports and identify priorities. The Advisory Committee identified the following two priorities for immediate action:

1. Protect the core business by modifying the compensation plan to be competitive in the Midland, Texas, market. There are currently 10 vacant position on University Lands staff; and
2. Fund additional staff for certain value-added functions including permit lease forfeiture and underperforming lease termination. There are slightly over 50,000 acres of undeveloped permit leases and approximately 130,000 acres of underperforming leases that would easily have an average market value of \$1,000/acre.

The final reports on the Review and Assessment of University Lands are available from the Office of Business Affairs upon request.



TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 11/14/2013

R. Steven Hicks, Chairman
Ernest Aliseda
Alex M. Cranberg
Brenda Pejovich
Robert L. Stillwell

Board Meeting: 11/14/2013
Austin, Texas

| | Committee Meeting | Board Meeting | Page |
|---|---|----------------------|-------------|
| Convene | <i>10:00 a.m.</i> <i>Chairman Hicks</i> | | |
| 1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration | <i>10:00 a.m.</i> Action | Action | 79 |
| 2. U. T. Pan American: Approval of acceptance of gift of outdoor art of a bronze statue | <i>10:01 a.m.</i> Action <i>President Nelsen</i> <i>Dr. Reyes</i> | Action | 80 |
| 3. U. T. Permian Basin: Approval of acceptance of gift of outdoor art of a bronze sculpture | <i>10:05 a.m.</i> Action <i>President Watts</i> <i>Dr. Reyes</i> | Action | 82 |
| 4. U. T. Tyler: Approval to establish a Doctor of Pharmacy | <i>10:09 a.m.</i> Action <i>President Mabry</i> <i>Dr. Reyes</i> | Action | 85 |
| 5. U. T. System Board of Regents: Approval of \$3.23 million from the Available University Fund (AUF) to support the proposed transition budget for the initial planning and development of the new University of Texas in South Texas | <i>10:14 a.m.</i> Action <i>Dr. Reyes</i> | Action | 93 |
| 6. U. T. Brownsville: Discussion and appropriate action related to ratification of actions related to governance and operations of Texas Southmost College as a unit of U. T. Brownsville for purposes of compliance with governance accreditation principles of the Southern Association of Colleges and Schools (SACS) | <i>10:19 a.m.</i> Action <i>President García</i> <i>Dr. Reyes</i> | Action | 96 |

| | Committee Meeting | Board Meeting | Page |
|--|---|----------------------|-------------|
| 7. U. T. System: Update on the Science and Technology Acquisition and Retention (STARs) program at the U. T. System academic institutions | 10:24 a.m. Report/Discussion <i>Dr. Klein</i> <i>Dr. Reyes</i> | Not on Agenda | 98 |
| 8. U. T. System: Discussion on pathways to student success | 10:30 a.m. Discussion <i>President Natalicio</i> <i>Dr. Reyes</i> | Not on Agenda | 114 |
| Adjourn | 10:45 a.m. | | |

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. **U. T. Pan American: Approval of acceptance of gift of outdoor art of a bronze statue**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Nelsen that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art at U. T. Pan American. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 4.1, regarding outdoor works of art.

BACKGROUND INFORMATION

U. T. Pan American will receive a gift of a bronze statue depicting José de Escandón from John C. Cantu. See the proposed statue on the following page. Mr. Cantu is a semi-retired pharmacist, previously from the Rio Grande Valley, who is dedicated to providing higher education opportunities to students in South Texas. He has endowed scholarships at both U. T. Pan American and U. T. Brownsville. The estimated cost of the statue and base is \$100,000.

José de Escandón is known as the Father of the Lower Rio Grande Valley, South Texas, and Northern Mexico. He was given the authority in both Mexico City and Spain to lead the seven expeditions to erect settlements in the State of Tamaulipas and South Texas, in the area between the Rio Grande and the Nueces Rivers. Between 1748 and 1755, he established the Seis Villas del Norte (Six Villas of the North).

The statue, which is not yet completed, will stand approximately 8 feet tall and will be mounted on a granite base. Mr. Cantu will provide plaques for the monument that are similar to historical markers. The Seis Villas del Norte will be featured on six of the plaques. Another plaque will contain a map pinpointing the position of each of the Seis Villas del Norte settlements. On the principal plaque will be a brief narrative about José de Escandón composed by U. T. Pan American Professor Emeritus in Modern Language, Dr. Lino García.

Mr. Cantu plans to commission sculptor Roberto García, Jr., a former student and protégé of the late U. T. Austin Professor Emeritus, Dr. Charles Umlauf, to create the bronze statue. Mr. Cantu will contract with a third party for the granite base. The statue and granite base may collectively weigh five to seven tons. Once the sculptor is commissioned, the statue should be completed within approximately 12 months.

Installation costs are included in the estimated cost of the statue. There are no maintenance costs anticipated. The installation of this statue is within with U. T. Pan American's Campus Master Plan.



3. **U. T. Permian Basin: Approval of acceptance of gift of outdoor art of a bronze sculpture**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Watts that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art of a bronze sculpture at U. T. Permian Basin. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 4.1, regarding outdoor works of art.

BACKGROUND INFORMATION

U. T. Permian Basin will receive a gift of a life-sized bronze sculpture of a cowboy driving cattle from Mr. Richard Gillham, a university supporter and local artist. Mr. Gillham coordinated the purchase of the gift with the support of the Odessa City Council, President Watts, and other private donors. The estimated cost of the sculpture is \$400,000.

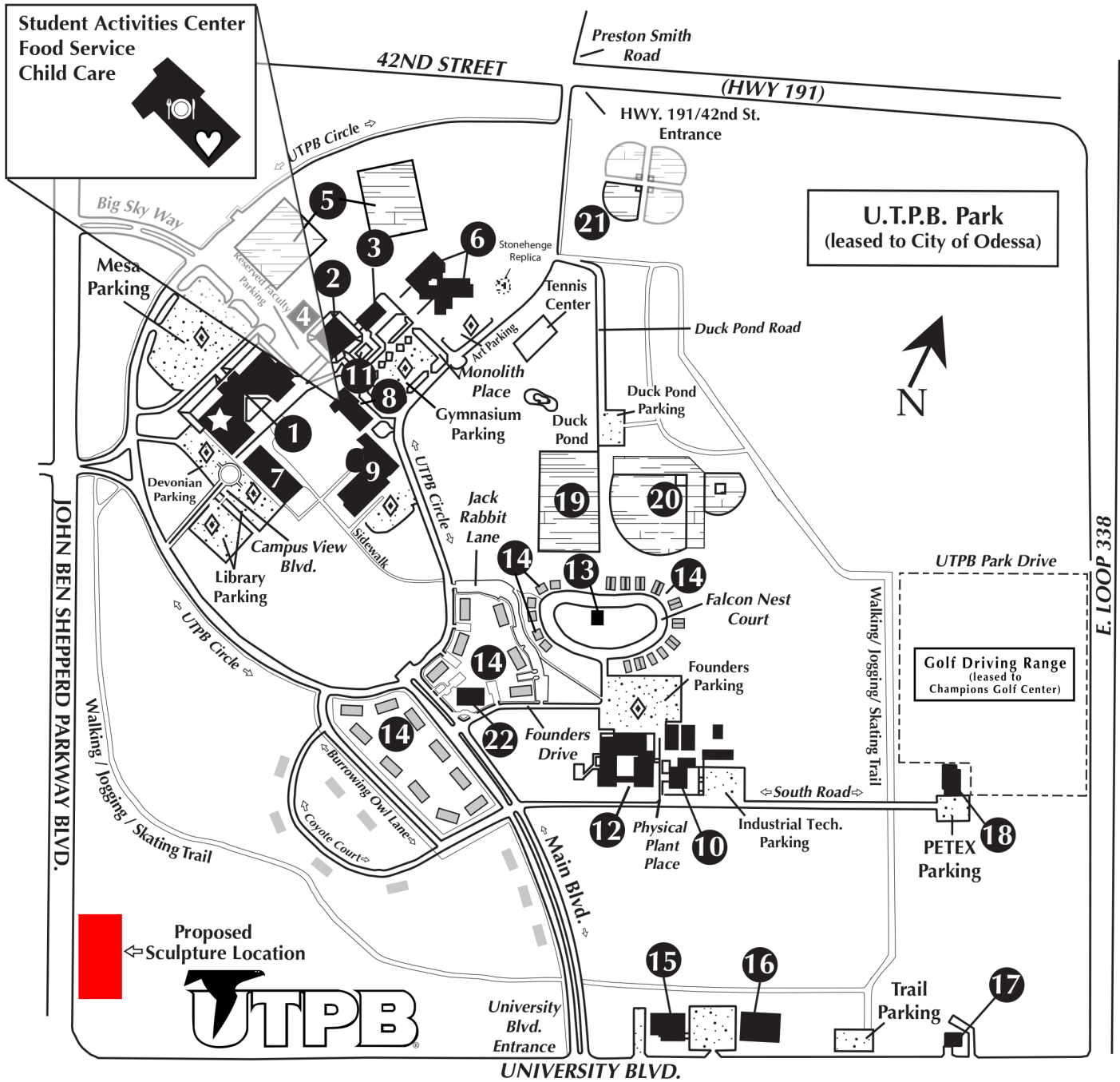
The sculpture, which is not yet completed, will be approximately 100 feet in length and at the highest point, approximately 11 feet in height (see drawing of sculpture on the following page). Mr. Gillham requested the sculpture be placed on the southwest corner of the campus, which is presently undeveloped (see map on Page 84). Proposed placement of this outdoor work of art is consistent with U. T. Permian Basin's Campus Master Plan.

The artist is renowned western sculptor, Mr. Terrell O'Brien. Mr. O'Brien is recognized as the 1984 Texas Cowboy Artist of the Year, and he has served as Past-President of the Texas Cowboy Artists Association and is a founding member of the National Western Artist Association.

Installation costs are included in the estimated cost of the sculpture. There are no maintenance costs anticipated.



The University of Texas of the Permian Basin



Revised 07/26/2013

- 1. Mesa Building
★ Admissions & Financial Aid Offices
- 2. Gymnasium Complex
- 3. Thermal Energy Plant
- 4. Gym Annex Building
- 5. Intramural/Athletic Fields
- 6. Visual Arts Studios
- 7. Library/Lecture Center
- 8. Student Activities Center
🍷 Food Service
👶 UTPB Child Care Center
- 9. Science & Technology Bldg.
Biology, Chemistry
IRD, Computer Science

- 10. Industrial/Petroleum Technology Building
- 11. Pool
- 12. Founders Building
Counseling Center
Physical Plant
- 13. Laundry
- 14. Student Housing
- 15. Ellen Noël Art Museum
- 16. JBS Public Leadership Institute
Presidential Museum & Leadership Library
- 17. Fire Station
(City of Odessa)
- 18. PETEX

- 19. Soccer Game Field
- 20. Ted & Jan Roden Baseball Field
- 21. Women's Softball Field
- 22. Parker Ranch House
Student Housing Recreation

- University Buildings
- Student Housing
- Student Housing (In Progress)
- Sports Fields
- Parking
- ◇ Visitor Parking

4. **U. T. Tyler: Approval to establish a Doctor of Pharmacy**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Mabry that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

- a. establish a Doctor of Pharmacy degree at U. T. Tyler; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

EXECUTIVE SUMMARY

U. T. Tyler proposes to establish a Doctor of Pharmacy program, a four-year program that will include didactic coursework in the classroom and an experiential component in actual pharmacy practice settings. The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

Students would matriculate into the program with a minimum of 65 semester credit hours of pre-professional studies following a standard set of prerequisites. Upon successful completion of the program, students will have earned a minimum of 146 semester credit hours and be eligible to graduate. The program is designed to prepare graduates to pass professional pharmacist licensure exams and become practicing pharmacists. U. T. Tyler plans to enroll 75 students in the first year and 100 students per year thereafter.

Statewide pharmacy school admissions data indicate there are approximately 2,600 more applicants seeking a pharmacy program in Texas than available seats. Many students that are not accepted to a Texas pharmacy school end up studying out-of-state. According to the Texas Board of Pharmacy, 57.8% of pharmacists licensed in Texas in 2012 were imported from out-of-state or out-of-country. If projections are accurate, the number of openings for pharmacist jobs in Texas per year will continue to outnumber the number of pharmacy graduates from Texas institutions by more than 100 jobs. Rural areas, in particular, face an increasing shortage of pharmacists.

U. T. Tyler's Ben and Maytee Fisch College of Pharmacy will not duplicate existing programs, but will instead expand access to students and improve workforce conditions in East Texas by enabling local businesses to hire "home-grown" pharmacists who desire to stay in East Texas. In addition, a growing number of U. T. Tyler students express interest in attending the pharmacy school. U. T. Tyler is also working with area colleges and universities to develop relationships for recruiting undergraduate students to the program. The university plans to participate in the American Association of Colleges of Pharmacy (AACP) Pharmacy College Application Service (PharmCAS) program, which will make the application to the U. T. Tyler pharmacy school available to all students applying to pharmacy school across the country.

U. T. Tyler will initially support the program with institutional funds. The debt will be paid back with tuition. The program will be self-supporting.

Additional information regarding the proposed program may be found on the following pages.

DETAILED BACKGROUND INFORMATION

Program Description

The proposed Doctor of Pharmacy will be a four-year program that will include didactic coursework in the classroom and an experiential component in actual pharmacy practice settings. Students would matriculate into the program with a minimum of 65 semester credit hours of preprofessional studies following a standard set of prerequisites. The first three years (six semesters) of the Doctor of Pharmacy program will focus on didactic coursework including classroom, laboratory, and simulation activities. Students will also participate in structured introductory pharmacy practice experiences during these six semesters. During the final calendar year (Summer, Fall, and Spring semesters), students will engage in advanced pharmacy practice experiences in the professional community. Upon successful completion of the final year, students will have earned a minimum of 146 semester credit hours and be eligible to graduate. The program is designed to prepare graduates to pass their board exams and become pharmacists who practice pharmacy in community, institutional, and other sites available to new graduates.

Need and Student Demand

Job Market Need

According to the Texas Board of Pharmacy, 922 or 57.8% of the pharmacists licensed in Texas in 2012 were imported from out-of-state or out-of-country, showing the strong need for Texas to graduate more pharmacists in state. The Texas Workforce Commission (TWC) predicts Texas will have 1,005 annual openings for pharmacist jobs in Texas from 2010 through 2020. During that same time period, current Texas pharmacy programs will likely produce a maximum of 895 graduates per year, which is calculated by adding current degree conferral totals to the estimated number of graduates from the new pharmacy school at the University of North Texas Health Science Center as well as the planned expansion of the University of Houston College of Pharmacy. If these projections are accurate, the number of job openings per year will outnumber the number of pharmacy graduates by more than 100 jobs.

There is evidence to suggest that the projected statewide demand for pharmacists could be as much as 25% greater than reported. In its 2009 report, *Projecting the Need for Pharmacy Education in Texas*, the Texas Higher Education Coordinating Board included a TWC-projected demand of 805 pharmacists annually through 2014. Just four years later, TWC has altered its prediction to 1,005 openings in 2014, a 25% increase over what was initially estimated. If the TWC's new projection again underestimates demand, there would be additional pharmacist positions in 2019 for which Texas will not have an in-state supply.

It is reasonable to assume that demand could be underestimated based on environmental factors influencing the health care industry as a whole. First, the passage of the Affordable Care Act (ACA) in 2010 is expected to have a significant impact on the pharmaceutical industry. In his Harvard Business School Working Paper, *US Healthcare Reform and the*

Pharmaceutical Industry, Arthur A. Daemmrch wrote, “Over the course of its implementation in coming years, the ACA will significantly expand prescription drug use, including at the relative expense of other health services.” Daemmrch said this expansion will take place due to the combination of an aging population and the ACA’s broadening of insurance coverage, making prescription drugs more affordable to more people. The expanded use of prescription drugs will lead to the need for more pharmacists.

Local pharmacists and hospital administrators report changes in the field of medicine that increase the need for pharmacists. Clinical pharmacists report that drugs are being tested and becoming specialized for more detailed segments of the population. Put very simply, there may be three different pharmaceuticals to treat an irregular heartbeat: one that works well on men, one on women, and another on children. Doctors and hospitals want and need more pharmacists on their health care delivery teams to ensure the right drug is prescribed to the right patient. Pharmacists are more than dispensers of medicine; they are truly health care providers.

Additionally, hospital administrators report that having trained pharmacists as members of the health care delivery team can greatly reduce pharmaceutical costs, which are often the second highest expenditure at a hospital (second only to salaries). By having more pharmacists on staff advising doctors and nurses, the hospital can ensure that the best and most cost-effective drugs are prescribed, which saves money by helping to speed recovery while using the least expensive drug options. This anecdotal evidence is supported in the literature. A June 2012 article in *Population Health Management* describes how pharmacists are playing a broader role in a variety of settings, and the authors predict that their roles will grow in the future given the needs of the health care system and patients.

Finally, based on historical data, the shortage of pharmacists will be highest in rural areas. In their January 2012 report titled *Supply Trends Among Licensed Health Professions Texas, 1980 – 2011*, the Health Professions Resource Center, Center for Health Statistics, and the Texas Department of State Health Services stated that for the past two decades the ratio of pharmacists per 100,000 population has been higher in metropolitan areas than it has been in non-metropolitan areas, and the gap has experienced a net increase over that time. This is important to note because 10 of the 14 counties in UT Tyler’s planning region are considered non-metropolitan, and 74% of the counties in the East Texas area are non-metropolitan.

Existing Programs

| Program | Degrees Conferred in Last Five Years |
|---|---|
| Texas A&M University Kingsville | 231 |
| Texas Southern University | 555 |
| Texas Tech University | 504 |
| The University of Houston | 606 |
| University of the Incarnate Word | 248 |
| The University of Texas at Austin | 618 |
| The University of North Texas Health Science Center UNT HSC)* | 0* |

*UNT HSC matriculated its first class in Fall 2013.

Looking at the geographic locations of each of these programs, one can see that there is a void in the East Texas area, which creates a challenge for East Texas students to attend pharmacy school. Although UNT began a program this year, it is located at the Health Science Center campus in West Fort Worth, hundreds of miles from much of East Texas. Coupled with the fact that rural areas are most underserved, U. T. Tyler’s Ben and Maytee Fisch College of Pharmacy will not duplicate programs, but instead expand access to students and improve workforce conditions in East Texas by enabling local businesses to hire “homegrown” pharmacists who desire to stay in East Texas. This will greatly reduce the high-cost employee turnover challenges currently facing East Texas employers and hospitals.

Student Demand

Texas currently has five established public pharmacy programs, one private institution, and one additional public pharmacy school that opened in Fall 2013. Including the new school at The University of North Texas Health Science Center, the number of available seats for incoming pharmacy students totals 802. While it is difficult to determine the exact number of total applicants because it is not known how many potential students applied to multiple schools, the number of applicants could be as high as 3,389, leaving almost 2,600 students seeking a pharmacy program in Texas.

The data shows that when students do not get accepted into pharmacy school in Texas, they go out of state. As of this year, almost 600 Texans are studying in out-of-state pharmacy schools, paying a premium out-of-state tuition price as well as additional travel expenses getting to and from school.

Additionally, a growing number of U. T. Tyler students wish to attend pharmacy school. Members of faculty assist these students with their applications and note the numbers are on the rise. Like many other students in Texas, highly qualified U. T. Tyler students also seek opportunities out-of-state when there are not enough openings in-state.

Enrollment Projections

The table below reflects a cohort model whereby students will matriculate in the fall semesters and graduate in four years. The projections for underrepresented students mirror University-wide data. Retention rates are very high in pharmacy programs nationally, and accreditation status with the Accreditation Council for Pharmacy Education (ACPE) would be jeopardized by anything less than a 90% retention rate. Most attrition occurs during year one, and 5% is considered an acceptable rate by ACPE. Note that year three start date to enroll students is due to ACPE requirements.

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| New Students | 0 | 0 | 75 | 100 | 100 |
| Cumulative Headcount | 0 | 0 | 75 | 171 | 266 |
| Full-time Student Equivalent | 0 | 0 | 75 | 171 | 266 |
| Attrition | 0 | 0 | 4 | 5 | 5 |
| Graduates* | | | | | |

*The inaugural class of students will graduate in year 7.

Student Recruitment

The U. T. Tyler Ben and Maytee Fisch College of Pharmacy gained community awareness throughout the legislative process, after approval by the U. T. System Board of Regents, and news of the significant donations to name the college and the soon-to-be-constructed W. T. Brookshire Pharmacy Building. U. T. Tyler has fielded dozens of calls from interested students. Their message to the College is that pharmacy is a program that East Texans want, but one they have not had access to in the past. U. T. Tyler will take advantage of other opportunities to keep the pharmacy school in the headlines, including construction of the building and gaining preaccreditation.

U. T. Tyler is working closely with Tyler Junior College, which is developing a state-of-the-art Allied Health Building, and will recruit students directly from their program. U. T. Tyler also has strong relationships on this project with Stephen F. Austin State University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Lamar University, all of whom have expressed an interest in recruiting undergraduate Science, Technology, Engineering, and Mathematics (STEM) students with the goal of sending them to the U. T. Tyler Ben and Maytee Fisch College of Pharmacy if that is the student's ultimate goal.

U. T. Tyler will participate in the American Association of Colleges of Pharmacy (AACP) Pharmacy College Application Service (PharmCAS) program, which will make the application available to all students applying to pharmacy school in the United States. Further, U. T. Tyler will utilize information from PharmCAS that is released by the applicants to recruit students seriously interested in pharmacy school based upon the fact that they completed the PharmCAS application.

Finally, the pharmacy program recruitment efforts will build upon the U. T. Tyler Enrollment Management Plan to ensure that the University recruits students from underrepresented groups.

Program Quality

Faculty

As a new program, U. T. Tyler will hire faculty to lead and administer the pharmacy school curriculum. After consulting with other pharmacy schools of a similar size, U. T. Tyler proposes that by the time the college is operating at full capacity, the Ben and Maytee Fisch College of Pharmacy will include one dean, two associate deans, two department chairs, one experiential director, and 27 faculty members for a total of 33 faculty and administrators. This level of staffing will provide a student to faculty ratio of approximately 11.7:1 based on a Full-Time Student Equivalent (FTSE) of 387, which will be the steady-state enrollment five years after enrolling the first class. Assuming maintenance of 100% FTSE (400 students), the student to faculty ratio will be 12.1:1. A range of 10:1 to 12:1 is generally considered acceptable by ACPE.

Faculty and Hiring Schedule

Faculty rank upon hiring will depend on the applicant pool and needs of the College. The goal is to have a mix of junior and senior faculty members in both the foundational and clinical sciences. Salaries are based on data from the AACP 50th percentile nationally for academic year appointments for faculty and calendar year appointments for deans, chairs, and an experiential director. For the purposes of estimating budgetary needs, all faculty salaries are based on the data from all AACP survey respondents for the rank of associate professor. Salaries do not include annual merit or cost of living increases.

Support Staff

U. T. Tyler plans to hire a total of seven administrative support staff members (including admissions staff), two experiential education coordinators, one information technology staff member, and two lab staff members to support faculty and students. These staff members will be hired as needed as the school grows in both students and faculty members.

Revenue and Expenses

| Projected Enrollment | *5-Year Total |
|---|----------------------|
| Number of Students Used for Formula Funding Calculation | 0 |
| Total Number of Students | 266 |

| Expenses | *5-Year Total |
|---------------------------------|----------------------|
| <i>Faculty</i> | |
| Salaries | \$7,120,000 |
| Benefits** | \$2,136,150 |
| <i>Graduate Students</i> | |
| TA Salaries | \$0 |
| TA Benefits | \$0 |
| GRA Salaries | \$0 |
| GRA Benefits | \$0 |
| <i>Staff and Administration</i> | |
| Graduate Coordinator Salary | \$0 |
| Administrative Staff Salaries | \$4,485,000 |
| Staff Benefits | \$1,345,500 |
| SCC Operating Expenses | \$1,740,825 |
| <i>Other Expenses</i> | |
| Accreditation | \$130,000 |
| Utilities and Maintenance | \$612,500 |
| Estimated Debt Service | \$5,416,374 |
| Scholarships (Institutional) | \$2,465,127 |
| Total Expenses | \$25,451,476 |

| Revenue | *5-Year Total |
|-----------------------------------|----------------------|
| <i>From Student Enrollment</i> | |
| Formula Funding | \$0 |
| Tuition and Fees | \$17,152,000 |
| <i>From Institutional Funds</i> | |
| Startup Funds | \$100,000 |
| <i>From Grant Funds</i> | |
| Research Indirects | \$90,000 |
| <i>From Other Revenue Sources</i> | |
| Philanthropy | \$2,750,000 |
| Total Revenue | \$20,092,000 |

| | 6-Year Total | **7-Year Total |
|-----------------|---------------------|-----------------------|
| Revenue | \$32,061,790 | \$45,083,716 |
| Expenses | \$34,684,578 | \$44,415,975 |

Notes: *No students enrolled during first two years' development period.

**Revenue exceeds expenses by year 7.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

5. **U. T. System Board of Regents: Approval of \$3.23 million from the Available University Fund (AUF) to support the proposed transition budget for the initial planning and development of the new University of Texas in South Texas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize \$3.23 million from the Available University Fund (AUF) to support the proposed transition budget for the initial planning and development of the new University of Texas in South Texas.

The \$3.23 million in the transition budget being requested will support the expenditures of the new University of Texas in South Texas over the next 24 months in the following areas:

- Staffing (\$680,000) to directly assist U. T. System staff in South Texas with planning and development initiatives, which include a special advisor to the Executive Vice Chancellor for Academic Affairs, as well as several support staff to assist with logistics and project management.
- Professional services and outside expertise (\$1,750,000) needed to evaluate current resources and stimulate new academic, business, and organizational models to achieve the guiding principles approved by the U. T. System Board of Regents.
- Search consultants (\$550,000) for the Founding President of the new University, as well as the Founding Dean of the new medical school in South Texas.
- Travel (\$100,000) to support regional, state, and national site visits by faculty, staff, and university and system leadership to explore new educational models and ideas for the new University of Texas in South Texas.
- Convenings and discussions (\$100,000) by regional, state, national, and international experts as it relates to planning and developing a 21st century university to meet the needs of the Rio Grande Valley and achieve a global impact.
- Maintenance and operations (\$50,000) of temporary offices to assist in the South Texas transition efforts.

BACKGROUND INFORMATION

Creating a new University of Texas in South Texas to achieve the goals and guiding principles adopted by the Board of Regents on July 10, 2013, is a monumental task requiring many of hours of planning and development and the successful implementation of specific tasks. These challenges are even more formidable given the timing of the transition and the desire to enroll the inaugural class of first-year students into the new university by Fall 2015 and the inaugural class of medical students by Fall 2016.

To stay on task and achieve these transformational goals and objectives, an aggressive schedule of activities and efforts are underway in South Texas by U. T. System and university personnel to provide guidance and stimulate new ideas and recommendations for the new University of Texas in South Texas consistent with the guiding principles.

Numerous teams and work groups comprised of hundreds of faculty, staff, students, university leadership, and U. T. System personnel have been created to provide options and recommendations for academic programs across the various disciplines, as well as options and recommendations for all academic and operational administration areas of the new university.

Thirteen academic program working groups have been formed and include faculty from U. T. Brownsville and U. T. Pan American in the broad areas of:

- Creative and performing arts
- Liberal arts and humanities
- Community and public service
- Social sciences
- Sciences and math
- Biomedical science
- Health professions
- Nursing
- Engineering, computer science, and technology
- Business
- Education
- Bicultural studies
- Trans-disciplinary studies

Fourteen academic administration working groups have been formed and include faculty and staff from U. T. Brownsville and U. T. Pan American in areas of:

- Southern Association of Colleges and Schools (SACS) accreditation
- Graduate and international student enrollment
- Student engagement and experiential learning
- Academic policies
- Core curriculum
- Academic assessment
- Academic support services
- Library infrastructure and support services
- Research and sponsored projects
- International programs and global initiatives
- Distance education
- Faculty affairs and development
- Faculty governance
- Other accreditation activities

Fifteen operational administration working groups have been formed and include staff from U. T. Brownsville and U. T. Pan American, in areas including:

- Personnel policies and procedures
- Business processes
- Campus master planning, physical resources, and transportation
- Campus security
- Information technology (IT) processes, procedures, and infrastructure
- Enrollment management
- Student support services
- University advancement
- Athletics
- Auxiliary enterprises
- Compliance and audit requirements
- Business plan development
- Community engagement and outreach
- Change management
- Start-up activities

The U. T. System leadership and staff will provide guidance and support to these various working groups. Upon hiring the Founding Dean of the Medical School, additional work groups will be formed to fully integrate the medical school planning into the new university.

It is important to note that this budget does not include university resources from both U. T. Brownsville and U. T. Pan American that will be utilized during the transition process, as well as other resources that will be required to re-engineer various information technology and business processes, in addition to aggressive marketing and outreach efforts that will be required at the regional, state, national, and international level.

6. **U. T. Brownsville: Discussion and appropriate action related to ratification of actions related to governance and operations of Texas Southmost College as a unit of U. T. Brownsville for purposes of compliance with governance accreditation principles of the Southern Association of Colleges and Schools (SACS)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, as affirmed by the Chairman of the Texas Southmost College (TSC) Board of Trustees to key officials at U. T. System, that the TSC Trustees, as a unit of U. T. Brownsville, have acted on governance and operations matters related to the TSC according to State and federal regulations. The Trustees' actions must be ratified by the U. T. System Board of Regents for purposes of compliance with governance accreditation principles of the Southern Association of Colleges and Schools (SACS):

- a. Governance - giving authority to the TSC Board to hire personnel and approve overall policy for the College; and
- b. Operations - budget and approve expenditures of TSC.

BACKGROUND INFORMATION

U. T. Brownsville and TSC continue to be jointly accredited by SACS. Individual accreditation must be achieved in the near future so that they are not jointly accredited. SACS has advised that, until independent accreditation is granted to TSC, TSC must remain under the oversight of the U. T. System Board of Regents concerning governance and operations in general.

In June 1991, the U. T. System Board of Regents and the Board of Trustees of the Texas Southmost College District signed an Educational Partnership Agreement (authorized by *Texas Education Code*, Section 51.661 et seq.) to efficiently and effectively deliver a spectrum of higher education services ranging from community college classes to advanced university degree programs to the residents of Brownsville and the Lower Rio Grande Valley. The agreement very broadly obligates TSC to dedicate its tax revenues to the Partnership and provide facilities necessary to deliver higher education services. U. T. System, through U. T. Brownsville, is obligated to operate all academic and support services necessary to the U. T. Brownsville campus, including employment and management of all faculty and staff. Over the years, the very broad Agreement was augmented with a series of interagency agreements to address specific operating issues. However, no omnibus comprehensive agreement was ever put in place to govern the parties' relationship.

In late 2009, near the 20-year anniversary of the Agreement, the parties began working together to create an enhanced operating agreement to specifically delineate duties and responsibilities. Both parties designated members of a working group. Over the next nine months, the UTB/TSC working group drafted a new, comprehensive operating agreement. In Fall 2010, the TSC Board of Trustees rejected the proposed operating agreement. On November 10, 2010, the U. T. System Board of Regents voted to terminate the Agreement. Without further action of the parties, termination is effective August 31, 2015, provided separation is not achieved at an earlier date.

From Spring 2011 until the present time, the parties have been working to establish a framework for transition and separation. With the passage of Senate Bill 1909 and the conclusion of the 82nd Legislative Session, Chancellor Cigarroa appointed a U. T. System executive transition team to plan for the transition and negotiate with TSC the terms and conditions of the separation.

Discussions with SACS have indicated that the proposed ratification and approvals are needed to maintain accreditation.

7. **U. T. System: Update on the Science and Technology Acquisition and Retention (STARs) program at the U. T. System academic institutions**

REPORT

Dr. Dale Klein, Associate Vice Chancellor for Research, will present a report on the Science and Technology Acquisition and Retention (STARs) Program. Dr. Klein's presentation is set forth on the following pages.

The Board of Regents' STARs Program Return on Investment at Academic Institutions

Dr. Dale Klein
Associate Vice Chancellor for Research

U. T. System Board of Regents' Meeting
Academic Affairs Committee
November 2013



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Purpose of the STARs Program

- Increase research capacity
- Focus on Science, Technology, Engineering, and Mathematics (STEM) fields

100



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Criteria for STARs awards

- Current or potential membership in a National Academy
- National and international reputation

Evaluation process

- Very rigorous
- External reviews



STARs Awards FY 2005 - 2010

- 132 faculty received STARs funding
- Performance evaluated after three years

Return on Investment Analysis

- External funds generated
- Contributions and recognition



Return on Investment by Institution: Research Grants

| | UTA | UTAUS | UTD | UTEP | UTSA | Total |
|---------------------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Competitive STARs Awarded | \$ 7,180,562 | \$ 28,656,200 | \$ 10,500,000 | \$ 9,278,438 | \$ 3,490,000 | \$ 59,105,200 |
| Institutional Match | \$ 1,100,000 | \$ 15,181,081 | \$ 5,350,000 | \$ 3,594,000 | \$ 930,850 | \$ 26,155,931 |
| Total Investment | \$ 8,280,562 | \$ 43,837,281 | \$ 15,850,000 | \$ 12,872,438 | \$ 4,420,850 | \$ 85,261,131 |
| Research Grants Since Award | \$ 36,715,067 | \$ 349,920,822 | \$ 48,004,296 | \$ 124,104,432 | \$ 23,996,262 | \$ 582,740,879 |
| Net Return on Investment | \$ 28,434,505 | \$ 306,083,541 | \$ 32,154,296 | \$ 111,231,994 | \$ 19,575,412 | \$ 497,479,748 |



Return on Investment: Sources of Funding

| | UTA | UTAUS | UTD | UTEP | UTSA |
|--|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| Sponsored External Funding (\$) | \$ 29,774,538 | \$ 314,993,465 | \$ 43,856,252 | \$ 120,779,602 | \$ 23,529,895 |
| Corporate Support (\$) | \$ 2,091,529 | \$ 27,455,257 | \$ 3,265,623 | \$ 3,309,830 | \$ 180,000 |
| Private Gifts (\$) | \$ 4,849,000 | \$ 7,472,100 | \$ 882,421 | \$ 15,000 | \$ 286,367 |
| TOTAL | \$ 36,715,067 | \$ 349,920,822 | \$ 48,004,296 | \$ 124,104,432 | \$ 23,996,262 |



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Return on Investment: Patents & Students

| | UTA | UTAUS | UTD | UTEP | UTSA |
|---------------------------------|------------|--------------|------------|------------|------------|
| Patents Issued | 24 | 104 | 3 | 10 | 5 |
| Patents Pending | 21 | 258 | 6 | 4 | 6 |
| TOTAL | 45 | 362 | 9 | 14 | 11 |
| Sponsored Graduate Students | 191 | 1,620 | 74 | 351 | 92 |
| Postdoctoral Students Sponsored | 71 | 214 | 32 | 55 | 39 |
| TOTAL | 262 | 1,834 | 106 | 406 | 131 |



Return on Investment: Professional Recognitions

| | UTA | UTAUS | UTD | UTEP | UTSA |
|---|-----|-------|-----|------|------|
| Scientific Articles Published | 635 | 2,224 | 316 | 667 | 315 |
| Editors/Editorial Boards | 125 | 69 | 28 | 72 | 104 |
| Books/Chapters Published | 74 | 88 | 31 | 85 | 282 |
| National Awards Received | 9 | 21 | 16 | 40 | 17 |
| National Academy Appointments | 0 | 3 | 0 | 0 | 0 |
| Collaborations | 160 | 249 | 131 | 461 | 151 |
| National & International Scholarly Board Appointments | 52 | 19 | 13 | 101 | 72 |

106



STARs Recruitments



107

Meeting of the U. T. System Board of Regents - Academic Affairs Committee

U. T. Arlington: Dr. Robert Magnusson



- World-class researcher with breakthrough discoveries in laser technology and optic devices
- Papers have been cited more than 1,500 times, and patents more than 150 times
- Patents led to a new class of devices based on his invention of “resonance leaky-mode photonics” with applications in biotechnology, environmental monitoring, and homeland security
- 2008 Outstanding Teacher Award, University of Connecticut



U. T. Austin: Dr. Robert E. Dickinson



- World-renowned researcher and teacher in the areas of global climate change, climate modeling, and the interaction of terrestrial and atmospheric hydrological processes
- Member of National Academy of Sciences and National Academy of Engineering
- Member of the Intergovernmental Panel on Climate Change, which received the 2007 Nobel Peace Prize



U. T. Dallas: Dr. Kenneth O

- Recognized leader in development of Analog Devices and Radio Frequency applications
- Texas Instruments Distinguished Chair in Analog Circuits and Systems
- Director of Texas Analog Center of Excellence
- Numerous refereed journal and conference papers, and nine U.S. patents



U. T. El Paso: Dr. Luis A. Echegoyen

- Internationally recognized investigator/scholar in areas of fullerene electrochemistry, monolayer films, and supramolecular chemistry
- Former Director of the Chemistry Division at the National Science Foundation (NSF)
- Strong record of teaching and training undergraduate and graduate students, and experience in mentoring women and underrepresented minorities, particularly Hispanics



U. T. San Antonio: Dr. Ruyan Guo

- Nationally known expert in electronic and optoelectronic materials and devices
- Nearly 200 refereed articles and 20 books
- Director of NSF Site Program on Research Experience for Undergraduates in Electrical Engineering
- Fellow, American Ceramic Society



An Outstanding Investment to Strengthen Research and Teaching Faculty

STARs Program has been incredibly successful in helping institutions recruit high-quality faculty

| | |
|----------------------------------|-----------------------|
| FY 2005 to FY 2010 Investment | \$ 59,105,200 |
| Institutional Match | \$ 26,155,931 |
| Total UT Investment | \$ 85,261,131 |
| External Funds Generated | \$ 582,740,879 |
| Net Return (to Fall 2012) | \$ 497,479,748 |

| | |
|--|--------------|
| Sponsored Graduate Students | 2,328 |
| Postdoctoral Students Sponsored | 411 |
| Total Students/Postdocs Sponsored | 2,739 |



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8. **U. T. System: Discussion on pathways to student success**

DISCUSSION

Executive Vice Chancellor Reyes and U. T. El Paso President Natalicio will lead a presidential discussion and engagement with the Board of Regents on pathways to student success.



**TABLE OF CONTENTS
FOR
HEALTH AFFAIRS COMMITTEE**

Committee Meeting: 11/14/2013

Board Meeting: 11/14/2013
Austin, Texas

*Robert L. Stillwell, Chairman
Ernest Aliseda
Jeffery D. Hildebrand
Brenda Pejovich
Wm. Eugene Powell*

| | Committee Meeting | Board Meeting | Page |
|--|--|----------------------|-------------|
| Convene | <i>10:45 a.m. Chairman Stillwell</i> | | |
| 1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration | <i>10:45 a.m. Action</i> | Action | 117 |
| 2. U. T. System: Report on the Science and Technology Acquisition and Retention (STARs) Program at the U. T. System health institutions | <i>10:46 a.m. Report/Discussion Dr. Hurn</i> | Not on Agenda | 118 |
| 3. U. T. System: Approval of \$8.6 million from the Permanent University Fund (PUF) and \$900,000 from the Available University Fund (AUF) to be deployed over Fiscal Years 2014 and 2015 to support a new U. T. System Research Core Infrastructure, including the implementation of a pilot project on a core to advance the study of proteomics across health institutions and the purchase of a U. T. Systemwide license for Research Core Management Software | <i>11:00 a.m. Action Dr. Hurn</i> | Action | 125 |
| 4. U. T. M. D. Anderson Cancer Center: Request to a) approve contract with Epic Systems Corporation for the provision of electronic health record (EHR) software, implementation, and maintenance and support services; b) appropriate funds and authorize expenditure of \$60,716,900 from local Hospital Revenues for the initial term; and c) following the initial term, appropriate funds and authorize expenditure for maintenance and subscription fees of approximately \$5,600,000 per year with a projected growth rate of 3% annually thereafter | <i>11:10 a.m. Action President DePinho</i> | Action | 127 |

| | Committee Meeting | Board Meeting | Page |
|--|---|----------------------|-------------|
| 5. U. T. System: Quarterly report on health matters of interest to the U. T. System, including a discussion on patient safety | 11:15 a.m. Report/Discussion <i>Dr. Greenberg</i> <i>Health Presidents</i> <i>Dr. Eric Thomas,</i> <i>U. T. Health Science</i> <i>Center - Houston</i> <i>Dr. Jan E. Patterson,</i> <i>U. T. Health Science</i> <i>Center - San Antonio</i> | Not on Agenda | 129 |
| Adjourn | 11:45 a.m. | | |

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. **U. T. System: Report on the Science and Technology Acquisition and Retention (STARs) Program at the U. T. System health institutions**

REPORT

Dr. Patricia Hurn, Vice Chancellor for Research and Innovation, will provide a report on the Science and Technology Acquisition and Retention (STARs) Program. Dr. Hurn's presentation is set forth on the following pages.

U. T. System Health Institutions: Faculty Science and Technology Acquisition and Retention (STARs) Program

Patricia D. Hurn, Ph.D.
Vice Chancellor for Research and Innovation
The University of Texas System

U. T. System Board of Regents' Meeting
Health Affairs Committee
November 2013



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The Program

- Originated in 2004 to attract and retain outstanding faculty researchers (\$26.5 million and continued authorizations every subsequent year)
- To date, total STARs funding awarded to health institutions equal \$86.3 million
- July 2013: 61 faculty members recruited or retained
 - \$570 million in external research funding for their institutions
 - 50 patents approved and 30 patents pending
 - 1300 published articles in refereed journals, plus 6 books
 - Responsible for 411 graduate and postdoctoral students
 - 1 Nobel Prize winner, 5 National Academy of Science, 2 Institute of Medicine



The Highly Competitive Awards

- Outstanding scientific leadership in an area of importance to the institution, to The University of Texas System, or the State of Texas
- Introduce a researcher into high-quality collaborative activities or bridge multiple disciplines
- Equipment or facility renovation that supplement institutional resources
- Rising STARs (2010): up to \$250,000 award for exceptionally promising young faculty member recruited into tenure track



Two new categories of awards help to recruit and retain the best translational scientists and educators

Teaching STARs

| Fiscal Year 2012 | | | |
|------------------|------------------------|---------|-------------|
| 1 | Robert E. Novak, Ph.D. | UTHSCSA | recruitment |
| 2 | Linda A. Smith, Ph.D. | UTHSCSA | retention |

Translational STARs

| Fiscal Year 2012 | | | |
|------------------|-------------------------------|---------|-------------|
| 1 | Hui-Ming Huang, Ph.D. | UTHSCSA | recruitment |
| 2 | Edward R. Sauter, M.D., Ph.D. | UTHSCT | recruitment |
| Fiscal Year 2013 | | | |
| 3 | Erik Knudsen, Ph.D. | UTSWMC | recruitment |
| 4 | Agnieszka Witkiewicz, M.D. | UTSWMC | recruitment |





Bruce Beutler, M.D.
**Nobel Prize in Physiology
Medicine 2011**
Regental Professor
UTSWMC



Dianna M. Milewicz, M.D., Ph.D.
Professor and Director Division
Medical Genetics
UTHSCH



Samir M. Hanash, M.D., Ph.D.
Professor and Director
Institute for the Early Detection and
Treatment of Cancer
UTMDACC



Translational STAR



Edward R. Sauter, M.D., Ph.D., M.H.A.
Professor and Director
Center Treatment and
Prevention Program
UTHSCT

Teaching STAR



Robert Novak, Ph.D.
Professor, Otolaryngology
Head and Neck Surgery
UTHSCSA



3. **U. T. System: Approval of \$8.6 million from the Permanent University Fund (PUF) and \$900,000 from the Available University Fund (AUF) to be deployed over Fiscal Years 2014 and 2015 to support a new U. T. System Research Core Infrastructure, including the implementation of a pilot project on a core to advance the study of proteomics across health institutions and the purchase of a U. T. Systemwide license for Research Core Management Software**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Research and Innovation that the U. T. System Board of Regents approve \$8.6 million from the Permanent University Fund (PUF) and \$900,000 from the Available University Fund (AUF) to be deployed over Fiscal Years 2014 and 2015 to support a new U. T. System Research Core Infrastructure, including the implementation of a pilot project on a core to advance the study of proteomics across health institutions and the purchase of a U. T. Systemwide license for Research Core Management Software. Funds would be provided for technical support and capital purchases to implement this initiative.

BACKGROUND INFORMATION

Science is moving from a solitary individual investigator model to more of a team/ interdisciplinary structure and to the use of large-scale, high-throughput research tools. At the same time, near simultaneous government funding for research is undergoing a strong downward trajectory, in part due to sequestration. For many researchers, this translates into reduced grant budgets of 10-25%.

Research cores are centralized, shared resources that provide access to instruments, technologies, services, and expert consultation to scientific investigators. Typically, billing, scheduling, and other business core activities are managed centrally. Federal and many private research funders are no longer willing to pay for research core operations or equipment purchases. The clear expectation is that competitive research universities must cover their core costs with local dollars, not through grants.

In 2012, U. T. System completed a series of meetings, video conferences, and site visits across U. T. System institutions and with a team of external advisors from institutions with best-in-class core research facilities. Findings from this study laid the groundwork for the focused proposal: to test a new approach in which a research core is designed to serve across U. T. System institutions that carry out health research, capitalized in part by U. T. System, and operated with the goal of providing a research service or technology to U. T. System researchers and students, resulting in: a) wide intra- or inter-institutional access to technology and expertise; b) efficiencies that assist cores to be self-supporting; c) increased likelihood that a core can offer selected free or reduced price services through economy of scale; d) diminished redundancy of instrumentation and expertise across institutions; e) enhanced user access; f) enhanced scope and quality of research; and g) high standards of practice and benchmarking for quality assurance. Importantly, a U. T. core facility would increase access to key technologies that can jump-start students at all levels and young researchers who are still in the process of gaining sustained research funding.

It is proposed to pilot a new research core approach. The availability of core research facilities is critical particularly to our research-intensive health institutions and is essential to their future competitiveness in research. This proposal would permit the creation of a pilot project for a core facility and a software platform that would maximize efficiency of existing core facilities for the U. T. System health institutions. However, it is designed so that faculty at U. T. System academic institutions might make use of these resources. Further, an academic institution might partner with a health institution in implementation of the proposed approach.

To be selected by a Request For Proposal (RFP) process open to all U. T. System institutions, an institution (or an institution consortium) will implement a core that serves U. T. System institutions likely based on supplementation and expansion of an already existing core infrastructure. The RFP will require an extensive business plan that addresses financial and operational sustainability. Based on the 2012 study, the first technology focus for a U. T. Core should be on proteomics (the large-scale, robotics-based study of proteins). Proteomics is arguably the next biggest advance in “omics,” and is increasingly used by large groups of U. T. researchers drawn from across institutions and scientific fields.

In addition, funding is requested for a U. T. System license for Research Core Management Software. A number of vendor-based platforms are currently available in the United States. Such an investment will provide an avenue for identifying and utilizing to greatest efficiency all existing large- and medium-scale cores across institutions. For the investigator, real-time access to this virtual core “network” would mean knowing what equipment is available, at what time, for how much, and who will help in design and operation of the protocol to get the data needed. Selection of the vendor for Research Core Management Software would proceed by RFP process, advised by internal and external experts.

Funding for this initiative will be issued over a two-year time period, and evaluated by success in attaining high performance metrics, e.g., number of users serviced from campuses distant from the core, turnaround time for service, quality control parameters assuring reliability, low variability, precision, and the like. External review of core progress will occur annually.

| PROPOSED BUDGET ACTIVITY | <u>FY 14</u> | <u>FY 15</u> |
|--------------------------|--------------------|--------------------|
| Capital | \$2,400,000 | \$2,400,000 |
| Operations | \$ 450,000 | \$ 450,000 |
| Online Software Platform | <u>\$1,900,000</u> | <u>\$1,900,000</u> |
| TOTALS | \$4,750,000 | \$4,750,000 |

4. **U. T. M. D. Anderson Cancer Center: Request to a) approve contract with Epic Systems Corporation for the provision of electronic health record (EHR) software, implementation, and maintenance and support services; b) appropriate funds and authorize expenditure of \$60,716,900 from local Hospital Revenues for the initial term; and c) following the initial term, appropriate funds and authorize expenditure for maintenance and subscription fees of approximately \$5,600,000 per year with a projected growth rate of 3% annually thereafter**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Interim Vice Chancellor and General Counsel, that the U. T. System Board of Regents, on behalf of The University of Texas M. D. Anderson Cancer Center

- a. approve a contract with Epic Systems Corporation (Epic) for the provision of electronic health record (EHR) software, implementation, and maintenance and support services. The initial contract term will be for a period of 49 months. The maintenance portion of the agreement begins at the end of the 49 months and will be renewed annually until terminated by either or both parties as set forth in the agreement;
- b. appropriate funds and authorize expenditure of \$60,716,900 from local Hospital Revenues: \$58,155,627 for EHR software, implementation, and maintenance and support services and \$2,561,273 for perpetual software licenses for the initial 49 month term; and
- c. following the initial term, appropriate funds and authorize expenditure for maintenance and subscription fees of approximately \$5,600,000 per year with a projected growth rate of 3% annually thereafter.

BACKGROUND INFORMATION

Modern, integrated electronic health record systems facilitate safe, effective, and efficient patient care and play a critical role in carrying out novel clinical research. U. T. M. D. Anderson Cancer Center seeks to implement the Epic EHR.

Since 2005, U. T. M. D. Anderson Cancer Center has utilized ClinicStation as its electronic medical record. ClinicStation is a self-developed system that combines functionality built internally with approximately three dozen separate systems linked through a complex and difficult to maintain series of interfaces. The institution has invested approximately \$20 million annually in ClinicStation development. It is anticipated that continued development of ClinicStation in a manner that will keep pace with commercially available products, integrate all necessary systems, maintain compliance with federal requirements, and scale with the growth of the institution will prove to be increasingly difficult and cost prohibitive over the long term.

Following a thorough RFP process, Epic was selected as the institution's EHR of choice. Epic is used widely across the nation and within the U. T. System. Epic is considered a best-in-class EHR that integrates core clinical systems (e.g., oncology, pharmacy, health information management), specialty systems (e.g., radiology, anesthesia), and front- and back-end access and revenue systems (e.g., scheduling, registration, billing, coding).

An EHR will enable U. T. M. D. Anderson Cancer Center to achieve multiple goals that align with its mission to provide exemplary, cutting-edge clinical care and advance cancer research. Beyond meeting federal mandates, an integrated EHR will facilitate enhanced patient care by reducing duplication and streamlining documentation, testing, and imaging; improving and strengthening data management, security and accessibility for research purposes; accelerating and simplifying the revenue cycle; eliminating multiple standalone systems, each of which require specialized teams and support; and enabling the institution to achieve the highest Stage 7 in the Health Information and Management Systems Society Electronic Medical Record Adoption Model. Leveraging the knowledge and expertise of Epic will allow U. T. M. D. Anderson Cancer Center to focus on core competencies and transfer responsibility for system upgrades and maintenance to an established firm with a demonstrated history of success across the country.

(See related Consent Agenda Item 60 on Page 187.)

5. **U. T. System: Quarterly report on health matters of interest to the U. T. System, including a discussion on patient safety**

REPORT

Executive Vice Chancellor Greenberg will report on health matters of interest to the U. T. System and then introduce the following presenters for a discussion on patient safety:

- **Eric Thomas**, M.D., Professor of Medicine and Associate Dean for Healthcare Quality at U. T. Health Science Center - Houston and the 2012 Chancellor's Health Fellow for Patient Safety
- **Jan E. Patterson**, M.D., Professor of Medicine at U. T. Health Science Center - San Antonio, 2013 Chancellor's Health Fellow for Clinical Effectiveness, and coordinator of the Clinical Safety and Effectiveness Conference

Dr. Thomas will give a report on patient safety grants and safety culture. Dr. Patterson will follow with a brief history and a report on the recent Clinical Safety and Effectiveness Conference and then present a short video of an award-winning project at U. T. Medical Branch - Galveston. Following the video, Dr. Greenberg will lead a panel discussion by the six health presidents on other efforts at the U. T. System health institutions.



**TABLE OF CONTENTS
FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

Committee Meeting: 11/14/2013

Board Meeting: 11/14/2013
Austin, Texas

*Alex M. Cranberg, Chairman
Ernest Aliseda
R. Steven Hicks
Wm. Eugene Powell
Robert L. Stillwell*

| | Committee Meeting | Board Meeting | Page |
|---|---|----------------------|-------------|
| Convene | 1:00 p.m. <i>Chairman Cranberg</i> | | |
| 1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration | 1:00 p.m. Action | Action | 132 |
| <u>Reports</u> | | | |
| 2. U. T. System: Fiscal Year 2013 Energy Utility Task Force Report | 1:00 p.m. Report/Discussion <i>Mr. O'Donnell</i> | Not on Agenda | 133 |
| 3. U. T. System: Update on Space Utilization Efficiency | 1:06 p.m. Report/Discussion <i>Mr. O'Donnell</i> | Not on Agenda | 134 |
| 4. U. T. System: Update on progress of the new University of Texas in South Texas Campus Master Plan Engagement | 1:10 p.m. Report/Discussion <i>Mr. O'Donnell</i> | Not on Agenda | 135 |
| <u>Additions to the CIP</u> | | | |
| 5. U. T. Austin: Tennis Center Replacement Facility - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval) | 1:14 p.m. Action <i>President Powers</i> | Action | 136 |
| 6. U. T. San Antonio: Recreation Center Pool Reconstruction - Amendment of the FY 2014-2019 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; authorization of institutional management; and resolution regarding parity debt (Final Board approval) | 1:18 p.m. Action <i>Mr. O'Donnell</i> | Action | 137 |

- | | | | | |
|----|---|--|---------------|------------|
| 7. | U. T. Health Science Center - San Antonio: South Texas Medical Academic Building - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval) | 1:21 p.m. Action <i>President Henrich</i> | Action | 139 |
|----|---|--|---------------|------------|

Design Development Approval

- | | | | | |
|----|---|--|---------------|------------|
| 8. | U. T. Arlington: Baseball and Softball Facility Improvements - Approval of design development; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval) | 1:27 p.m. Action <i>Mr. O'Donnell</i> | Action | 140 |
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|----|--|--|---------------|------------|
| 9. | U. T. Permian Basin: Residence and Dining Hall - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval) | 1:31 p.m. Action <i>Mr. O'Donnell</i> | Action | 142 |
|----|--|--|---------------|------------|

Modifications to the CIP

- | | | | | |
|-----|---|--|---------------|------------|
| 10. | U. T. Austin: Belo Center for New Media - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval) | 1:35 p.m. Action <i>Mr. O'Donnell</i> | Action | 145 |
|-----|---|--|---------------|------------|

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| 11. | U. T. Austin: FY11 Fire Life Safety and ITS Renovations - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval) | 1:39 p.m. Action <i>Mr. O'Donnell</i> | Action | 147 |
|-----|---|--|---------------|------------|

| | |
|----------------|-----------|
| Adjourn | 1:45 p.m. |
|----------------|-----------|

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Fiscal Year 2013 Energy Utility Task Force Report

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2013. The 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 purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to, and previously endorsed by, the Board on November 8, 2001, and a 10%-15% reduction in energy usage was targeted for Fiscal Year 2011. On November 10, 2011, the Board approved extending the 2001 baseline energy reduction goals an additional 5%-10% through Fiscal Year 2021. The estimated reduction in energy usage from baseline levels is 25% for Fiscal Year 2013. Since Fiscal Year 2001, reductions in energy consumption per square foot by U. T. System institutions have resulted in cumulative savings of \$417 million.

As most of the low cost energy reduction projects and systems have been installed, remaining is a major recapitalization of existing energy inefficient systems to meet the future reduction goals.

3. **U. T. System: Update on Space Utilization Efficiency**

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will provide a summary of the February 2013 Space Utilization Efficiency Report, key issues and implications, and path forward as a precursor to a February 2014 update. These continuing efforts support the *Framework for Advancing Excellence throughout The University of Texas System: Action Plan*, with a focus on Productivity and Efficiency, which charges institutional leadership to “develop criteria to assess and improve academic, research, and administrative space utilization and strategies, including productivity indices, and review of space utilization policies.”

4. **U. T. System: Update on progress of the new University of Texas in South Texas Campus Master Plan Engagement**

REPORT

The 83rd Texas Legislature approved the creation of a new University of Texas in South Texas. On July 10, 2013, the Board approved the guiding principles for the new University of Texas in South Texas, designed to provide an outstanding education to the students of South Texas. On August 22, 2013, the Board approved the issuance of a Request for Qualifications (RFQ) for a Campus Master Plan to begin the groundwork for the development of the University.

The Office of Facilities Planning and Construction issued a RFQ for comprehensive campus master planning and architectural services for the referenced multi-campus university on August 30, 2013, and received nine responses from nationally respected firms on September 26, 2013, most in partnership with Texas consultants. On October 10, 2013, the Selection Advisory Committee (made up of representatives from each of the academic institutions and U. T. System), having carefully reviewed the submittals, short-listed the following firms for interviews (in alphabetical order):

- Cannon Design (Chicago, Illinois) and Overland Partners (San Antonio, Texas)
- HKS (Dallas, Texas) and Broaddus Planning (Austin, Texas)
- Perkins + Will (Dallas and Houston, Texas) and Munoz & Company (San Antonio, Texas)
- Sasaki Associates Inc., (Watertown, Massachusetts) and Page Southerland Page (Austin, Texas)

The Selection Advisory Committee interviewed these firms on October 28, 2013, and will select the most qualified respondent, consistent with statute. Approval will be requested from the Board at a future date for U. T. System staff to negotiate and enter into a contract with the selected firm.

5. U. T. Austin: Tennis Center Replacement Facility - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Tennis Center Replacement Facility project at U. T. Austin as follows:

| | | |
|-------------------------------------|---|---------------------------------|
| Project No.: | 102-788 | |
| Project Delivery Method: | Construction Manager-at-Risk | |
| Substantial Completion Date: | November 2014 | |
| Total Project Cost: | <u>Source</u> Auxiliary Enterprises Balances ¹ | <u>Proposed</u> \$15,000,000 |
| Funding Note: | ¹ Auxiliary Enterprises Balances proposed to be funded from a combination of operations revenues and trademark royalties | |

BACKGROUND INFORMATION

As a part of the Dell Medical School construction, the existing Penick-Allison Tennis Center located on Trinity Street is scheduled to be demolished in May 2014. This proposed project will replace the Penick-Allison Tennis Center and allow the U. T. Athletics' Tennis Team to continue their programs while minimizing the cost of interim facilities. The replacement tennis center, to be located at B. M. Whitaker Field at 51st Street and Guadalupe Street, will encompass approximately 122,350 gross square feet (GSF) to include 12 outdoor tennis courts, grandstand/bleachers, locker rooms, and support buildings.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

6. U. T. San Antonio: Recreation Center Pool Reconstruction - Amendment of the FY 2014-2019 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; authorization of institutional management; and resolution regarding parity debt (Final Board approval)

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. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Recreation Center Pool Reconstruction project at U. T. San Antonio as follows:

| | | |
|-------------------------------------|---|--------------------|
| Project No.: | 401-816 | |
| Institutionally Managed: | Yes | |
| Project Delivery Method: | Competitive Sealed Proposals | |
| Substantial Completion Date: | July 2015 | |
| Total Project Cost: | <u>Source</u> | <u>Proposed</u> |
| | Revenue Financing System Bond Proceeds ¹ | \$3,650,000 |
| | Auxiliary Enterprises Balances ² | <u>\$2,300,000</u> |
| | | \$5,950,000 |

Funding Notes: ¹ Revenue Financing System debt proposed to be repaid from existing student fees
² Auxiliary Enterprises Balances from existing student fees

- a. approve a total project cost of \$5,950,000 with funding of \$3,650,000 from Revenue Financing System Bond Proceeds and \$2,300,000 from Auxiliary Enterprises Balances;
- b. appropriate funds;
- c. authorize U. T. San Antonio to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; 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. System 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. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,650,000.

BACKGROUND INFORMATION

Debt Service

The \$3,650,000 in Revenue Financing System (RFS) debt will be repaid from existing student fees. Annual debt service on the \$3,650,000 RFS debt is expected to be \$286,700. The institution's debt service coverage is expected to be at least 1.8 times and average 2.4 times over FY 2014-2019.

Project Description

The proposed project will reconstruct the Recreation Center Pool which has not been functional since November 2011 due to performance issues related to soil conditions. The project will restore the functionality of the pool and will include an eight-lane lap pool, a recreation pool, a small wet classroom and changing building, and relocation of the sand volleyball courts. The site for the project is the location of the existing pool facility adjacent to the Recreation and Wellness Center on the Main Campus.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

7. U. T. Health Science Center - San Antonio: South Texas Medical Academic Building - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Henrich that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the South Texas Medical Academic Building project at U. T. Health Science Center - San Antonio as follows:

| | | |
|-------------------------------------|--|-----------------|
| Project No.: | 402-817 | |
| Project Delivery Method: | Construction Manager-at-Risk | |
| Substantial Completion Date: | May 2016 | |
| Total Project Cost: | <u>Source</u> | <u>Proposed</u> |
| | Permanent University Fund Bond Proceeds | \$54,000,000 |
| | (See Item 3 on Page 7 re allocation of PUF funds.) | |

- Investment Metrics:**
- Promote access to health professional education to a diverse student body
 - Develop first-class medical school to improve the health of the community

BACKGROUND INFORMATION

This project will advance the goal to expand medical education as outlined in the Chancellor’s *Framework for Advancing Excellence throughout the U. T. System*. The 88,000 gross square feet of space will be devoted to teaching facilities that promote faculty and student interaction at the earliest stages of medical school. There will be lecture halls that can be converted to smaller breakout rooms for multiprofessional education and simulated patient cases. There will be multiple small classrooms and seminar rooms for small group problem solving and “flipped classrooms.” The building will include an auditorium, digital library, clinical skills center for sophisticated testing of students’ knowledge, skills, and values, preclinical M.D. labs, and an anatomy teaching facility. Consistent with accrediting body requirements, there will be a student lounge and study space. The building will make extensive use of online and distance learning as part of a region-wide Medical School interacting with and complementing facilities at Harlingen and Brownsville as well as supporting continuing professional education in the region. The plan is designed to complete the building in time to matriculate the first medical school class in the Summer/Fall 2016. The building will house core administrative facilities for the Dean’s Office and approximately 30 faculty members. It will be constructed on an area of the U. T. Pan American campus that is adjacent to the medical research building previously constructed as part of the Regional Academic Health Center (RAHC). Its location is consistent with the campus plan for creation of a medical/health professions education and research complex. The building will become part of the new university in South Texas when that University is established.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

8. U. T. Arlington: Baseball and Softball Facility Improvements - Approval of design development; authorization of institutional management; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Karbhari that the U. T. System Board of Regents approve the recommendations for the Baseball and Softball Facility Improvements project at U. T. Arlington as follows:

Project No.: 301-780
Institutionally Managed: Yes
Project Delivery Method: Competitive Sealed Proposals
Substantial Completion Date: January 2015
Total Project Cost:

| | |
|---|----------------|
| <u>Source</u> | <u>Current</u> |
| Revenue Financing System Bond Proceeds ¹ | \$5,500,000 |

Funding Note: ¹ Revenue Financing System debt proposed to be repaid from auxiliary revenues

Investment Metrics: By 2015

- Enhance student athlete programs in baseball and softball
- Correct deficiencies and provide locker rooms and restrooms at both facilities

- a. approve design development plans;
- b. authorize U. T. Arlington to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds and authorize expenditure of \$5,500,000 with funding from Revenue Financing System (RFS) Bond Proceeds; 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. System Board of Regents relating to the Financing System; and

- U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,500,000.

BACKGROUND INFORMATION

Debt Service

The \$5,500,000 in aggregate Revenue Financing System debt will be repaid from auxiliary revenues. Annual debt service on the \$5,500,000 Revenue Financing System debt is expected to be \$345,000. The project's debt service coverage is expected to be at least 2.2 times and average 2.7 times over FY 2014-2019.

Previous Board Action

On August 22, 2013, the project was included in the CIP with a total project cost of \$5,500,000 with funding from RFS Bond Proceeds.

Project Description

This proposed project will construct fieldhouses for the Men's Baseball and Women's Softball programs and will include improvements to both the Clay Gould Ballpark and Allan Saxe Softball Field. The baseball field modifications will include partial replacement of bleachers, new dugouts, flagpoles, and miscellaneous stadium work. The softball field modifications will include new dugouts, field irrigation system replacement, bleacher improvements, a new sound system, branding and painting, netting, and miscellaneous small repairs and enhancements.

Currently, the baseball and softball locker rooms are housed off-site from the fields. The proposed fieldhouses will provide on-site locker room and restroom facilities for the players, coaches, and umpires. Improvements will allow U. T. Arlington to recruit high-quality student athletes and coaches with first-class facilities that will pass Title IX expectations.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-30 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with comparable high-use municipal and educational athletics facilities. The mechanical and electrical building systems are designed to commercial standards.

9. U. T. Permian Basin: Residence and Dining Hall - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the U. T. System Board of Regents approve the recommendations for the Residence and Dining Hall project at U. T. Permian Basin as follows:

| | | | |
|-------------------------------------|---|----------------|-----------------|
| Project No.: | 501-555 | | |
| Project Delivery Method: | Construction Manager-at-Risk | | |
| Substantial Completion Date: | July 2015 | | |
| Total Project Cost: | <u>Source</u> | <u>Current</u> | <u>Proposed</u> |
| | Revenue Financing System Bond Proceeds ¹ | \$32,500,000 | \$35,750,000 |

Funding Notes: ¹ Revenue Financing System debt proposed to be repaid from rental income

- Investment Metrics:**
- Allow for the admission of at least 225 students from outside the Odessa/Midland area who would not otherwise be able to attend U. T. Permian Basin due to the housing shortage
 - Occupancy will increase the number of on-campus students by approximately 33% with related increases in tuition and fees, meal plan purchases, and bookstore sales
 - Allow highly qualified students to register under the \$10,000 degree Texas Science Scholar Program

- a. amend the FY 2014-2019 Capital Improvement Program to increase the total project cost from \$32,500,000 to \$35,750,000;
- b. approve design development plans;
- c. appropriate funds and authorize expenditure of \$35,750,000 with funding from Revenue Financing System (RFS) Bond Proceeds; 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. System Board of Regents relating to the Financing System; and
- U. T. Permian Basin, 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. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$35,750,000.

BACKGROUND INFORMATION

Debt Service

The \$35,750,000 in aggregate Revenue Financing System debt will be repaid from rental income. Annual debt service on the \$35,750,000 Revenue Financing System debt is expected to be \$2.2 million. The debt service coverage for the institution's student housing projects collectively is expected to be at least 1.3 times and average 1.5 times over FY 2014-2019.

Previous Board Action

On May 9, 2013, the project was included in the CIP with a total project cost of \$32,500,000 with funding from RFS Bond Proceeds.

Project Description

The proposed project, comprised of approximately 114,800 gross square feet, will provide a three-story dormitory building and dining services wing. The dining hall will serve approximately 750 people, seat 370 students, and include a main dining area as well as smaller private dining spaces suitable for faculty luncheons and other meetings. The dormitory will provide a total of 310 beds arranged in four-bedroom, two-bath suites, and two-bedroom, one-bath units. The Residence Hall will also include study rooms, lounges, and Resident Advisor units on each floor. Laundry facilities will be provided in the building.

U. T. Permian Basin currently provides approximately 714 beds. The Student Housing Phase VI project will add 198 beds and is scheduled for completion in August 2014, bringing the total number of on-campus beds for students to 912. The University projects a 100% occupancy rate in student housing and a waiting list for the 2015-2016 academic year. The current dining facility has exceeded capacity and is serving 400 meal plans in space designed to provide 140 seats to support 300 meal plans.

As a result of the continued oil and gas boom in the entire Permian Basin region, there continues to be an extreme shortage of off-campus housing that is suitable for students. This project is needed to accommodate the growing number of requests for on-campus housing, as well as to provide additional dining space for 96 students currently living in housing without full kitchens.

The growth areas and projections for August 2015 are as follows:

- the Petroleum Engineering program currently has 190 majors and expects at least 100 more
- the Nursing Program which began in Fall 2013 has 20 students and will grow to at least 160 students
- additionally, students of the recently implemented \$10,000 degree Texas Science Scholar Program are required to live on campus. The program has room for 100 students each year.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-30 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with similar types of student housing.

10. U. T. Austin: Belo Center for New Media - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Belo Center for New Media project at U. T. Austin as follows:

Project No.: 102-041

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: November 2015

| | | | |
|----------------------------|--|---------------------|---------------------|
| Total Project Cost: | <u>Source:</u> | <u>Current</u> | <u>Proposed</u> |
| | Revenue Financing System Bond Proceeds | \$30,094,000 | \$30,094,000 |
| | Gifts | \$17,956,000 | \$22,956,000 |
| | Unexpended Plant Funds ¹ | \$10,120,000 | \$15,120,000 |
| | Designated Funds ² | <u>\$ 7,595,000</u> | <u>\$ 7,595,000</u> |
| | | \$65,765,000 | \$75,765,000 |

Funding Note: ¹ Unexpended Plant Funds from Designated Tuition
² Designated Funds from Designated Tuition

- a. amend the FY 2014-2019 Capital Improvement Program (CIP) to increase the total project cost from \$65,765,000 to \$75,765,000; and
- b. appropriate and authorize expenditure of \$10,000,000 with funding of \$5,000,000 from Gifts and \$5,000,000 from Unexpended Plant Funds.

BACKGROUND INFORMATION

Previous Board Actions

- On November 11, 1999, the College of Communication Building project was included in the CIP with a total project cost of \$32,000,000 with funding from Gifts.
- With the adoption of the FY 2008-2013 CIP on August 23, 2007, the total project cost increased to \$45,000,000 with funding from Gifts.
- On February 7, 2008, the total project cost was increased to \$54,000,000 with funding from Gifts.
- On August 20, 2009, the Board approved design development and decreased the total project cost to \$50,660,000 with funding of \$14,542,000 from Gifts, \$6,024,000 from Unexpended Plant Funds, and \$30,094,000 from Revenue Financing System Bond Proceeds.

- On September 3, 2009, the Associate Vice Chancellor for Facilities Planning and Construction approved the redesignation of the project to the Belo Center for New Media.
- On September 17, 2010, the Chancellor approved an increase in the total project cost to \$52,110,000 with funding of \$16,481,000 from Gifts, \$5,535,000 from Unexpended Plant Funds, and \$30,094,000 from Revenue Financing System Bond Proceeds.
- On May 18, 2011, the Chancellor approved an increase in the total project cost to \$55,725,000 with funding of \$17,956,000 from Gifts, \$7,675,000 from Unexpended Plant Funds, and \$30,094,000 from Revenue Financing System Bond Proceeds.
- On August 25, 2011, the Board approved an increase in the total project cost to \$62,270,000 with additional funding of \$2,445,000 from Unexpended Plant Funds and \$4,100,000 from Designated Funds.
- On November 22, 2011, the Chancellor approved an increase in the total project cost to \$62,470,000 with additional funding of \$200,000 from Designated Funds.
- On July 16, 2012, the Chancellor approved an increase in the total project cost to \$64,895,000 with additional funding of \$2,425,000 from Designated Funds.
- On October 12, 2012, the Chancellor approved an increase in the total project cost to \$65,095,000 with additional funding of \$200,000 from Designated Funds.
- On January 18, 2013, the Chancellor approved an increase in the total project cost to \$65,765,000 with additional funding of \$670,000 from Designated Funds.

Project Description

This request for an increase in funding will construct a pedestrian bridge to connect the recently completed Belo Center for New Media with the two Jesse H. Jones Communication Center buildings A (CMA) and B (CMB), which make up the primary complex of the College of Communication. The additional scope will refurbish the second floor of CMA and repurpose the studio areas on the fourth floor of CMB by building two 75-student lecture classrooms, a small conference facility, and research space. Additional general upgrades to the CMA will include the fourth floor main elevator lobby and circulation lighting as well as replacement of high bay studio lighting systems. Upon completion of this project, CMA will be completely refurbished and 80% of CMB will have been refurbished (the remaining 20% of CMB is presently occupied by KLRU-TV), bringing the buildings to modern collegial standards to create parity of educational facilities between the new building and the original buildings of the college.

The original scope of work created approximately 120,000 gross square feet (GSF) of state-of-the-art facilities to enable teaching, learning, and research to cross traditional boundaries and to create new forms of communication and collaboration that include multiuse classrooms, research labs, performance production and broadcast studios, public forum spaces, and offices. The project included approximately 20,000 GSF of shelled space for future use by KUT Radio for multimedia production, studios, and office and community space with an emphasis on audio services, including specialized studio, performance, and digital networking facilities. Additional work included the finish out of the KUT shell space and renovation of spaces vacated by the College of Communication following occupancy of the Belo Center for New Media. The renovation included targeted areas within the CMA and CMB, originally completed in 1974 to serve 1,000 students. Currently, the College of Communication serves more than 4,600 students, as well as 125 faculty and 140 staff.

11. U. T. Austin: FY11 Fire Life Safety and ITS Renovations - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the FY11 Fire Life Safety and ITS Renovations project at U. T. Austin as follows:

| | | | |
|-------------------------------------|---|-------------------|-------------------|
| Project No.: | 102-628 | | |
| Project Delivery Method: | Design-Build | | |
| Substantial Completion Date: | November 2014 | | |
| Total Project Cost: | <u>Source</u> | <u>Current</u> | <u>Proposed</u> |
| | Permanent University Fund Bond ¹ | \$ 9,953,428 | \$11,271,428 |
| | Available University Funds | \$ 3,000,000 | \$ 3,342,000 |
| | Designated Funds ² | <u>\$ 246,572</u> | <u>\$ 686,572</u> |
| | | \$13,200,000 | \$15,300,000 |

Funding Notes:

¹ Additional funds of \$1,150,000 from PUF Fire Life Safety Project No. 102-646, and \$168,000 from PUF Library, Equipment, Repair and Rehabilitation (LERR) Project No. 102-795

² Designated Funds from Designated Tuition

- a. amend the FY 2014-2019 Capital Improvement Program (CIP) to increase the total project cost from \$13,200,000 to \$15,300,000; and
- b. appropriate and authorize expenditure of an additional \$2,100,000 with funding of \$1,318,000 from Permanent University Fund (PUF) Bond Proceeds, \$342,000 from Available University Funds, and \$440,000 from Designated Funds.

BACKGROUND INFORMATION

Previous Board Actions

On May 12, 2011, the FY11 Fire Life Safety and ITS Renovations project was included in the CIP from previously awarded PUF Bond Proceeds. On November 22, 2011, the Chancellor approved an increase in the total project cost to \$13,200,000 with additional funding of \$1,200,000 from PUF. On August 19, 2013, the Chancellor approved design development plans.

Project Description

The original project consolidated funding from several fire and life safety projects to increase efficiencies, consolidate construction, and result in better planning and coordination of activities across four facilities: Main Building, Parlin Hall, Calhoun Hall, and Homer Rainey Hall. The

project will install fire sprinklers in all four facilities and entail ancillary work such as minor hazardous material abatement, new acoustic ceilings, and in some cases, the replacement of the existing heating, ventilation, and air conditioning (HVAC) ceiling grilles, and overhead lights. Additional work in the Main Building will consist of upgrading a nonfunctional pressurization system in two stairways as well as renovation of the telecommunication spaces, pathways, and cabling to meet modern standards.

The proposed increase in total project cost will fund the replacement of the existing fire alarms with an Emergency Communications System, allow for information technology services (ITS) upgrades in the Main Building, and fund the upgrade of fire alarms in Parlin Hall, Calhoun Hall, and Homer Rainey Hall. Combining this additional scope of work into the existing project will allow the departments to efficiently and expeditiously meet objectives.



**TABLE OF CONTENTS
FOR
TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE**

Committee Meeting: 11/14/2013
Austin, Texas

*Wallace L. Hall, Jr., Chairman
Ernest Aliseda
Alex M. Cranberg
R. Steven Hicks
Jeffery D. Hildebrand*

| | Committee Meeting | Page |
|---|---|-------------|
| Convene | <i>4:00 p.m. Chairman Hall</i> | |
| 1. U. T. System: Update on the U. T. Horizon Fund portfolio | <i>4:00 p.m. Report/Discussion Mr. Allinson</i> | 150 |
| 2. U. T. System: Report on Technology Commercialization Metrics for Fiscal Year 2012 | <i>4:05 p.m. Report/Discussion Mr. Allinson Dr. Hurn Dr. Huie Dr. Klein</i> | 151 |
| 3. U. T. System: Report on the recent Texas FreshAIR (Academia-Industry Roundtable) meeting | <i>4:20 p.m. Report/Discussion Dr. Hurn</i> | 157 |
| 4. U. T. Brownsville: Report on the status of the Center for Advanced Radio Astronomy (CARA) and South Texas Spacecraft Tracking and Astronomical Research into Giga-hertz Astrophysical Transient Emission (STARGATE) | <i>4:30 p.m. Report/Discussion Dr. Klein President García Dr. Fredrick Jenet, Mr. Louis Dartez, and Mr. Jose Martinez, U. T. Brownsville</i> | 158 |
| Adjourn | <i>4:45 p.m.</i> | |

1. **U. T. System: Update on the U. T. Horizon Fund portfolio**

REPORT

Mr. Bryan Allinson, Executive Director of Technology Commercialization, will provide an update on the U. T. Horizon Fund portfolio.

The U. T. Horizon Fund completed an initial investment in the EMIT Corporation, a U. T. Health Science Center - Houston company, and the first of five tranche investments in Lung Therapeutics, a U. T. Health Science Center - Tyler company. Several other investments are being reviewed with advisors.

2. **U. T. System: Report on Technology Commercialization Metrics for Fiscal Year 2012**

REPORT

The following presenters will provide a report on technology commercialization metrics submitted to the Association of University Technology Managers for its 2012 annual report.

- **Mr. Bryan Allinson**, Executive Director of Technology Commercialization
- **Dr. Patricia Hurn**, Vice Chancellor for Research and Innovation
- **Dr. Stephanie Huie**, Vice Chancellor for Strategic Initiatives
- **Dr. Dale Klein**, Associate Vice Chancellor for Research

The report, as set forth on the following pages, reviews the longitudinal metrics for research and commercialization and compares those metrics to other institutions around the world.

Technology Commercialization Metrics for Fiscal Year 2012 (most recent)

Mr. Bryan Allinson, Executive Director of Technology Commercialization

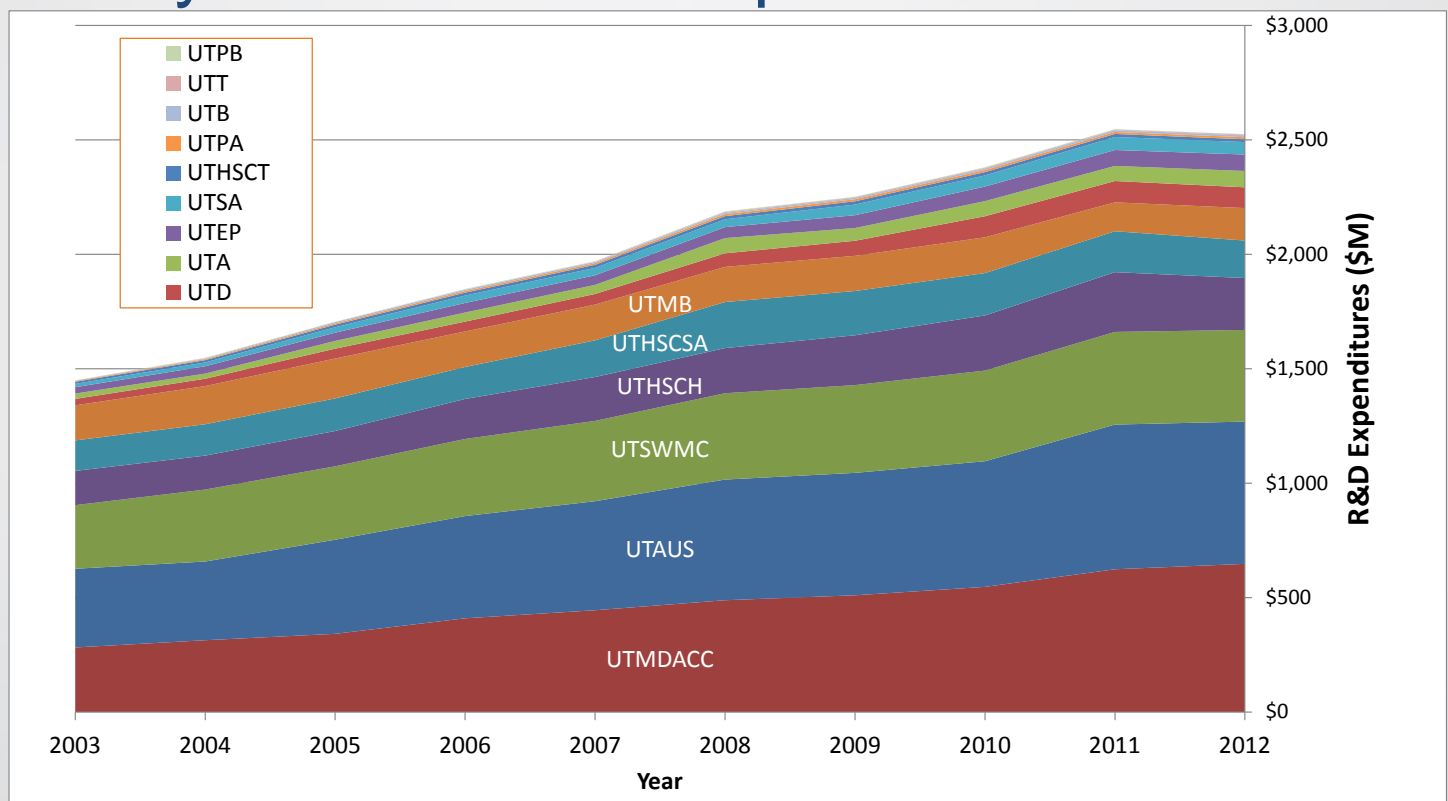
U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
November 2013



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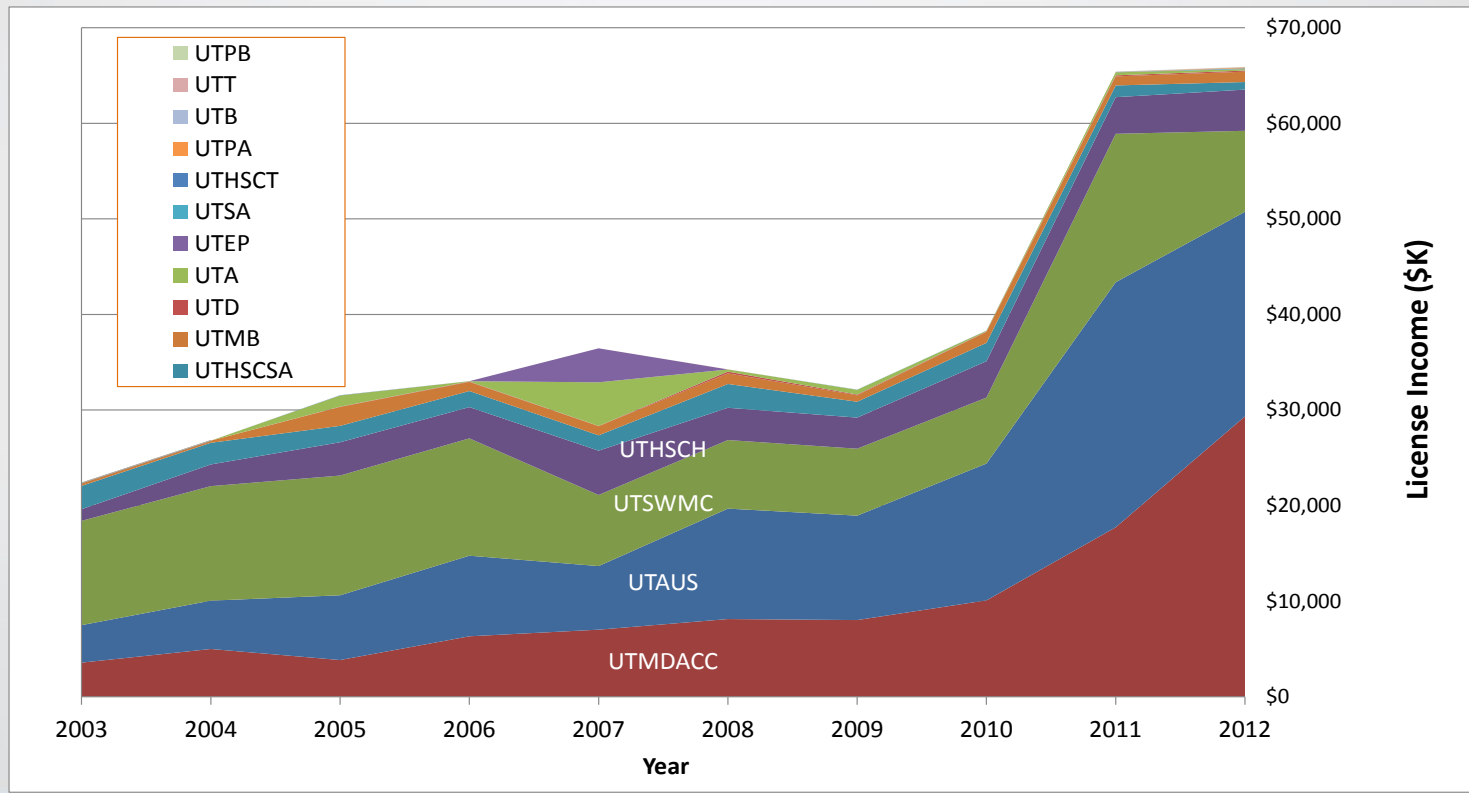
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Relatively flat research expenditure levels



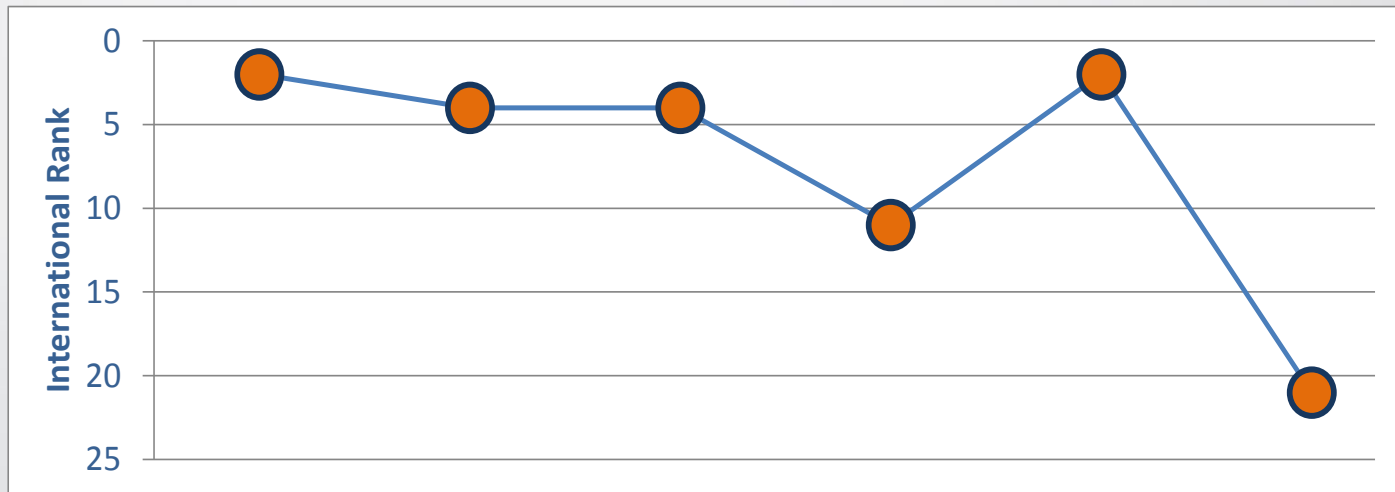
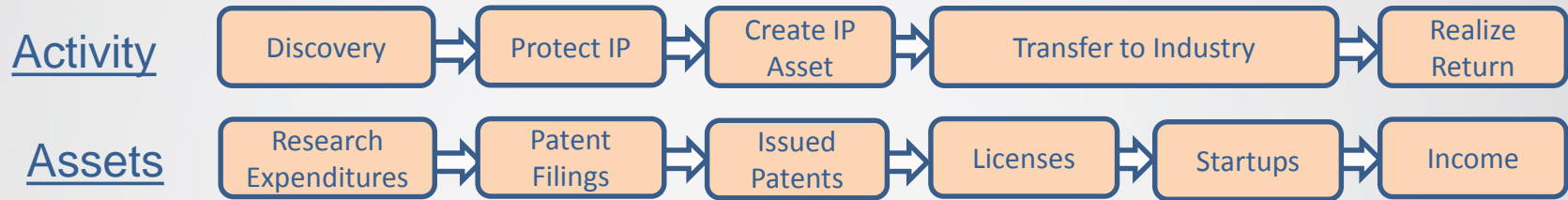
153

Historically high license income levels



154

Summary of international rankings



155



Summary of international rankings

| | Research | Total Patent Filings | Issued Patents | Licenses | License Income | Startups |
|-----|----------------|----------------------|----------------|-----------------------|-----------------------|----------------|
| 1st | U. C. System | U. C. System | U. C. System | U. C. System | City of Hope | U. C. System |
| 2nd | U. T. System ↔ | MIT | MIT | Washington | NYU | U. T. System ↑ |
| 3rd | MIT | Cal. Tech. | Stanford | Georgia | Columbia | Toronto |
| 4th | Johns Hopkins | U. T. System ↑ | U. T. System ↔ | Cornell | Sloan Kettering | MIT |
| 5th | Michigan | Stanford | Wisconsin | Partners | MIT | Columbia |
| | Wisconsin | Johns Hopkins | Cal. Tech. | U. T. System (11th) ↓ | U. T. System (21st) ↓ | Florida |

156



3. **U. T. System: Report on the recent Texas FreshAIR (Academia-Industry Roundtable) meeting**

REPORT

Dr. Patricia Hurn, Vice Chancellor for Research and Innovation, will report on the successful Texas FreshAIR (Academia-Industry Roundtable) meeting, held on September 25-26, 2013.

The Texas FreshAIR meeting was a unique initiative that provided the biopharmaceutical industry with access to scientific expertise across all six health science institutions of the U. T. System.

Dr. Hurn will show a brief video that was introduced at the inaugural event.

4. **U. T. Brownsville: Report on the status of the Center for Advanced Radio Astronomy (CARA) and South Texas Spacecraft Tracking and Astronomical Research into Giga-hertz Astrophysical Transient Emission (STARGATE)**

REPORT

President García will introduce the following presenters to provide a report on the status of the Center for Advanced Radio Astronomy (CARA) and South Texas Spacecraft Tracking and Astronomical Research into Giga-hertz Astrophysical Transient Emission (STARGATE):

- **Louis Dartz**, graduate student at U. T. Brownsville
- **Jose Martinez**, graduate student at U. T. Brownsville
- **Fredrick A. Jenet**, Ph.D., Professor of Physics and Astronomy at U. T. Brownsville, Chair of the North American NanoHertz Observatory for Gravitational Waves, and Director of CARA

BACKGROUND INFORMATION

CARA is a center of excellence within the U. T. System. Over the last seven years, the CARA team has developed the Arecibo Remote Command Center (ARCC) at U. T. Brownsville. ARCC is an integrated research and education program that allows students to directly control the world's largest and most sensitive radio telescopes. The ARCC program is one of the top 10 programs in the nation to graduate Hispanic students with bachelor degrees in physics. For the past two years, the program has graduated five underrepresented students per year and will most likely continue to do so. The students are graduating in four years and are going on to Ph.D. programs in physics, astronomy, or related science, technology, engineering, and mathematics (STEM) fields. The success of the ARCC students underscores the profound effect research can have on the careers of students.

CARA is exploring a partnership with SpaceX, a commercial company that designs, manufactures, and launches the world's most advanced rockets and spacecraft. The partnership would involve other major research entities including NASA's Jet Propulsion Laboratory, the Naval Research Laboratory, and Cornell University's Department of Space Science to develop STARGATE, a multipurpose facility that will develop, test, and utilize radio frequency technologies for both scientific and commercial purposes. The STARGATE complex will be a nexus of research, education, and commercialization activities at the interface between pure science and industry that will develop technologies, infrastructure, and human capital that will support the new era of commercialized space exploration. It will give U. T. System students and scientists unprecedented research and education opportunities. Given the potential growth of the commercial space exploration industry, STARGATE would be the first step in a unique collaboration with SpaceX that would ultimately make U. T. System a world leader in space exploration.



**TABLE OF CONTENTS
THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
CONSENT AGENDA**

Committee and Board Meetings:

11/13-14/2013
Austin, Texas

| | | Page |
|------------------------------------|--|------|
| U. T. SYSTEM ADMINISTRATION | | |
| 1. | UTIMCO Committee Appointments - U. T. System Board of Regents: Proposed appointment of members to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) | 164 |
| 2. | Minutes - U. T. System Board of Regents: Approval of Minutes of the regular meeting held on August 21-22, 2013, and the special called meetings held on February 20, 2013; September 12, 2013; September 18, 2013; October 4, 2013; October 25, 2013; November 4, 2013; and November 11, 2013 | 164 |
| 3. | Use of Permanent University Fund (PUF) Bond Proceeds - U. T. System: Approval to use PUF Bond Proceeds in lieu of Intermediate Term Funds (ITF) Swap Proceeds | 164 |
| 4. | Contract (funds going out) - U. T. System: R. L. Townsend & Associates, Inc. to perform professional audit services | 165 |
| 5. | Contract (funds going out) - U. T. System: Wiss, Janney, Elstner Associates, Inc. to perform forensic engineering services | 165 |
| 6. | Contract (funds going out) - U. T. System: Aon Fire Protection Engineering Corporation to perform professional code compliance review services | 165 |
| 7. | Contract (funds going out) - U. T. System: Cannon Cochran Management Services, Inc. to provide claims handling services, payment services, and other related services for U. T. System's Workers' Compensation Insurance Program | 166 |
| 8. | Contract (funds going out) - U. T. System: Opportune LLP, to perform study of the current University Lands' business processes | 166 |
| 9. | Request for Budget Change - U. T. System: Transfer \$562,857 from funds reimbursed by U. T. System institutions to pay Copyright Clearance Center expenses from the Academic Affairs Initiatives Account (RBC No. 154) -- amendment to the 2013-2014 budget | 167 |
| 10. | Real Estate Report - U. T. System: Summary Report of Separately Invested Assets managed by U. T. System | 167 |
| ACADEMIC INSTITUTIONS | | |
| 11. | Contract (funds going out) - U. T. Arlington: Alpha Building Corporation job order contract for interior renovations and general contracting services | 168 |
| 12. | Contract (funds going out) - U. T. Arlington: CCS Custard Construction Services, Inc. job order contract for interior renovations and general contracting services | 168 |

| | | |
|-----|--|-----|
| 13. | Contract (funds going out) - U. T. Arlington: Harendt Construction Group, LLC job order contract for interior renovations and general contracting services | 168 |
| 14. | Lease - U. T. Austin: Authorization to lease space to University Federal Credit Union for automated teller machine locations | 169 |
| 15. | Lease - U. T. Austin: Authorization to lease space to Bank of America, N. A., for automated teller machine locations | 169 |
| 16. | Lease - U. T. Austin: Authorization to extend an existing lease of space from B & G Austin Partners, L. P. at 3316 Grandview Street, Austin, Travis County, Texas, for general office use | 170 |
| 17. | Contract (funds coming in) - U. T. Austin: Institute for Public School Initiatives to provide professional development and training to the El Paso Independent School District | 170 |
| 18. | Contracts (funds coming in) - U. T. Austin: Approval to assign a previously approved stadium chair rental program agreement with Integrated Stadium Seating, Inc. to IMG College Seating, LLC | 171 |
| 19. | Contracts (funds going out) - U. T. Austin: Workday, Inc. to provide a cloud-based, enterprise resource planning (ERP) system that includes a full suite of integrated human resources, payroll, and financial applications | 172 |
| 20. | Contract (funds going out) - U. T. Austin: Praxair, Inc. to provide a liquid nitrogen storage tank and delivery of liquid nitrogen to U. T. Austin McDonald Observatory at Mount Locke | 172 |
| 21. | Tenure Appointments - U. T. Austin: Amendments to the 2013-14 budget | 173 |
| 22. | Emeritus Appointments - U. T. Austin: Approval of emeritus titles | 174 |
| 23. | Emeritus Appointment - U. T. Brownsville: Appointment of William Berg from Professor in the College of Science, Mathematics and Technology to Professor Emeritus (RBC No. 5472) -- amendment to the 2013-2014 budget | 175 |
| 24. | Emeritus Appointment - U. T. Dallas: Appointment of Lynn Melton from Professor of Science/Mathematics Education, Department of Mathematics, School of Natural Sciences and Mathematics, to Professor Emeritus (RBC No. 5431) -- amendment to the 2013-14 budget | 175 |
| 25. | Contract (funds going out) - U. T. El Paso: Deer Oaks EAP Services, a Texas limited liability company, to provide an Employee Assistance Program | 175 |
| 26. | Tenure Appointment - U. T. El Paso: Amendments to the 2013-14 budget | 176 |
| 27. | Purchase - U. T. Pan American: Authorization to purchase approximately 1.84 acres and improvements at 317 North Sugar Road, Hidalgo County, Texas, from Edinburg Church of Christ | 176 |
| 28. | Transfer of Funds - U. T. Pan American: Amendment to the 2013-2014 budget | 177 |
| 29. | Tenure Appointment - U. T. Pan American: Amendments to the 2013-14 budget | 177 |
| 30. | Report - U. T. Permian Basin: No items for the Consent Agenda | 177 |
| 31. | Contract (funds going out) - U. T. San Antonio: GCA Education Services, Inc. to perform custodial, landscape, and grounds maintenance services in various facilities and premises | 178 |

- 32. Emeritus Appointment - **U. T. Tyler**: Appointment of Linda Klotz from Dean, College of Nursing and Health Sciences, to Professor Emeritus (RBC No. 5495) -- amendment to the 2013-14 budget 178
- 33. Request for Budget Change - **U. T. Tyler**: Transfer \$1,023,496 from Patriots Applying Technology for Success and Savings Operating Funds to Innovation Academy Building and Site Preparation and IT Capital Equipment Purchases Fund (RBC No. 5496) -- amendment to the 2013-14 budget 178
- 34. Request for Budget Change - **U. T. Tyler**: Transfer \$912,148 from Innovation Academy fund to Patriots Applying Technology for Success and Savings Operating Funds for course development, faculty development, marketing, and software licensing (RBC No. 5498) -- amendment to the 2013-14 budget 178

HEALTH INSTITUTIONS

- 35. Contract (funds coming in) - **U. T. Southwestern Medical Center**: University to provide physician services to Parkland Health and Hospital System 178
- 36. Contract (funds coming in) - **U. T. Southwestern Medical Center**: University to provide physicians and other health care services to Parkland Health and Hospital System 179
- 37. Contract (funds coming in) - **U. T. Southwestern Medical Center**: University to provide professional and administrative services to support the operations of UT Southwestern Health Systems 179
- 38. Contract (funds going out) - **U. T. Southwestern Medical Center**: Mile Hi Valet Service dba Towne Park Ltd. to provide valet and cashier services 179
- 39. Contract (funds going out) - **U. T. Southwestern Medical Center**: Contract with UT Southwestern Health Systems for Accountable Care Network and Facility services 180
- 40. Lease - **U. T. Southwestern Medical Center**: Authorization to lease space from Brookriver Executive Center, JV at 8150 - 8200 Brookriver Drive, Dallas, Dallas County, Texas, for administrative office use 180
- 41. Tenure Appointment - **U. T. Southwestern Medical Center**: Amendment to the 2012-13 budget 181
- 42. Tenure Appointment - **U. T. Southwestern Medical Center**: Amendment to the 2013-14 budget 181
- 43. Emeritus Appointment - **U. T. Southwestern Medical Center**: Appointment of Myron Weiner from Clinical Professor, Southwestern Medical School, Psychiatry, to Professor Emeritus (RBC No. 5414) -- amendment to the 2012-2013 budget 181
- 44. Emeritus Appointment - **U. T. Southwestern Medical Center**: Appointment of Joel Steinberg from Professor, Southwestern Medical School, Pediatrics, to Professor Emeritus, effective 7/1/2013 (RBC No. 5542) -- amendment to the 2012-2013 budget 182
- 45. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: University to provide cancer screening services for the Texas Department of State Health Services 182
- 46. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: University to provide Nutrition Program for the Texas Department of State Health Services 182
- 47. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: University to provide family planning services for the Texas Department of State Health Services 182

48. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: University to provide early childhood intervention services for the Texas Department of Assistive and Rehabilitative Services 183
49. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: University to provide pharmaceutical and dispensing services for Texas Tech University Health Sciences Center 183
50. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: Value Options of Texas, Inc. to provide various services 183
51. Lease - **U. T. Medical Branch - Galveston**: Authorization to lease space to University Federal Credit Union for automated teller machine locations 184
52. Lease - **U. T. Health Science Center - Houston**: Authorization to lease space from AFIAA WFT, LLC, at 400 West 15th Street, Austin, Travis County, Texas, for office use 184
53. Contract (funds coming in) - **U. T. Health Science Center - Houston**: Texas Department of Family and Protective Services to improve access to medical professionals 185
54. Contract (funds going out) - **U. T. Health Science Center - Houston**: Mile Hi Valet Service, Inc., a Towne Park affiliate, to provide professional valet parking management services for patients and visitors of the University 185
55. Emeritus Appointment - **U. T. Health Science Center - Houston**: Appointment of Marianne T. Marcus from Professor, School of School of Nursing, to Professor Emeritus in the School of Nursing (RBC No. 5579) -- amendment to the 2013-2014 budget 186
56. Emeritus Appointment - **U. T. Health Science Center - Houston**: Appointment of Guy S. Parcel from Professor, School of Public Health, Division of Health Promotion and Behavioral Sciences to Professor Emeritus in the School of Public Health (RBC No. 5551) -- amendment to the 2013-2014 budget 186
57. Tenure Appointment - **U. T. Health Science Center - Houston**: Amendment to the 2013-2014 budget 186
58. Emeritus Appointment - **U. T. Health Science Center - San Antonio**: Appointment of Margaret Brackley from Professor, School of Nursing, Family and Community Health Systems to Professor Emeritus (RBC No. 5439) -- amendment to the 2013-14 budget 186
59. Contract (funds coming in) - **U. T. M. D. Anderson Cancer Center**: Provider agreement template for use with international embassies 186
60. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Encore Health Resources, LLC to provide professional IT resources for ongoing support of the institution's electronic medical records (EMR) system 187
61. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Cognizant Technology Solutions U.S. Corporation to provide the development and management of International Classification of Diseases, 10th Edition, coding system strategy and project plan 187
62. Contract (funds going out) - **U. T. Health Science Center - Tyler**: Four contracts with Palestine Regional Medical Center to provide services for various projects 188

63. [Contract \(funds going out\) - U. T. Health Science Center - Tyler: Four contracts with Christus St. Michael to provide services for various projects](#)

189



THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS

CONSENT AGENDA

Committee and Board Meetings:

11/13-14/2013

Austin, Texas

U. T. SYSTEM ADMINISTRATION

1. UTIMCO Committee Appointments - U. T. System Board of Regents: Proposed appointment of members to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the appointment of Jeffery D. Hildebrand and the reappointment of James P. Wilson, R. Steven Hicks, and Charles W. Tate to the Audit and Ethics Committee of the UTIMCO Board of Directors.

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors. The UTIMCO Board of Directors recommended these appointments at their meeting held on October 10, 2013, conditioned on the approval of the U. T. System Board of Regents.

Vice Chairman Hicks and Regent Hildebrand will abstain from voting on this item.

2. Minutes - U. T. System Board of Regents: Approval of Minutes of the regular meeting held on August 21-22, 2013, and the special called meetings held on February 20, 2013; September 12, 2013; September 18, 2013; October 4, 2013; October 25, 2013; November 4, 2013; and November 11, 2013

3. Use of Permanent University Fund (PUF) Bond Proceeds - U. T. System: Approval to use PUF Bond Proceeds in lieu of Intermediate Term Funds (ITF) Swap Proceeds

Approval is requested to use \$1.344 million of PUF Bond Proceeds in lieu of ITF/Swap Proceeds and to use PUF Bond Proceeds on future Valley STARs (Science and Technology Acquisition and Retention Program or Valley STARs) requests as needed in an amount not to exceed the original appropriation.

On August 25, 2011, the Board of Regents approved \$30 million of ITF/Swap Proceeds for the Lower Rio Grande Valley Plan - Education and Health Initiatives including \$9.5 million to establish a faculty recruitment program Valley STARs.

4. Contract (funds going out) - U. T. System: R. L. Townsend & Associates, Inc. to perform professional audit services

Agency: R. L. Townsend & Associates, Inc.

Funds: Anticipated total cost may exceed \$1,000,000, with no maximum, over the life of the contract for services provided on an as-needed basis

Source of Funds: Various funds approved for individual Capital Improvement Program projects

Period: June 20, 2012 through May 31, 2018
(Contract is being brought forward for Board approval as it is nearing the \$1,000,000 threshold)

Description: R. L. Townsend & Associates, Inc., to perform miscellaneous professional construction audit and miscellaneous audit services on a job order basis. Services were competitively procured.

5. Contract (funds going out) - U. T. System: Wiss, Janney, Elstner Associates, Inc. to perform forensic engineering services

Agency: Wiss, Janney, Elstner Associates, Inc.

Funds: Anticipated total cost may exceed \$1,000,000, with no maximum, over the life of the contract for services provided on an as-needed basis

Source of Funds: Various funds approved for individual Capital Improvement Program projects

Period: September 1, 2011 through August 31, 2017
(Contract is being brought forward for Board approval as it is nearing the \$1,000,000 threshold)

Description: Wiss, Janney, Elstner Associates, Inc., to perform miscellaneous professional forensic engineering services on a job order basis. Services were competitively procured.

6. Contract (funds going out) - U. T. System: Aon Fire Protection Engineering Corporation to perform professional code compliance review services

Agency: Aon Fire Protection Engineering Corporation

Funds: Anticipated total cost may exceed \$1,000,000, with no maximum, over the life of the contract for services provided on an as-needed basis

Source of Funds: Various funds approved for individual Capital Improvement Program projects

Period: September 1, 2011 through August 31, 2017
(Contract is being brought forward for Board approval as it is nearing the \$1,000,000 threshold)

Description: Aon Fire Protection Engineering Corporation to perform miscellaneous professional code compliance review services on a job order basis. Services were competitively procured.

Regent Hildebrand will abstain from voting on this item.

7. Contract (funds going out) - U. T. System: Cannon Cochran Management Services, Inc. to provide claims handling services, payment services, and other related services for U. T. System's Workers' Compensation Insurance Program

Agency: Cannon Cochran Management Services, Inc.

Funds: \$1,400,000 annual fee cap

Source of Funds: Workers' Compensation Insurance Fund

Period: October 15, 2013 through October 15, 2016 with option to renew for three additional one-year terms

Description: Cannon Cochran Management Services, Inc., to provide claims handling services, payment services, and other related services for U. T. System's Workers' Compensation Insurance Program. This contract was competitively procured.

8. Contract (funds going out) - U. T. System: Opportune LLP, to perform study of the current University Lands' business processes

Agency: Opportune LLP

Funds: Amendments to existing contract for an addition of \$2,581,000 not to exceed \$5,933,000

Source of Funds: Designated Funds

Period: January 3, 2013 through May 31, 2014

Description: Extension of agreement with Opportune LLP to perform a comprehensive study of the current University Lands' business processes to recommend accounting software and perform custom programming services, data conversion services, documentation and training services, and other integration functions as they pertain to a comprehensive oil and gas royalty reporting and accounting system.

- 9. Request for Budget Change - U. T. System: Transfer \$562,857 from funds reimbursed by U. T. System institutions to pay Copyright Clearance Center expenses from the Academic Affairs Initiatives Account (RBC No. 154) -- amendment to the 2013-2014 budget

- 10. Real Estate Report - U. T. System: Summary Report of Separately Invested Assets managed by U. T. System

**THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at August 31, 2013**

| | | FUND TYPE | | | | | | | |
|----------------------------|------------|-------------------------------|---------------|--------------------------------|----------------|----------------------------------|--------------|----------------|----------------|
| | | Current Purpose Restricted | | Endowment and Similar Funds | | Annuity and Life Income Funds | | TOTAL | |
| | | Book | Market | Book | Market | Book | Market | Book | Market |
| Land and Buildings: | | | | | | | | | |
| Ending Value | 05/31/2013 | \$ 1,760,490 | \$ 10,664,128 | \$ 98,462,159 | \$ 271,691,603 | \$ 1,601,467 | \$ 3,161,384 | \$ 101,824,116 | \$ 285,517,114 |
| Increase or | | | | | | | | | |
| Decrease | | 3 | 1,229,064 | (423,973) | (5,709,516) | - | (128,298) | (423,970) | (4,608,750) |
| Ending Value | 08/31/2013 | \$ 1,760,493 | \$ 11,893,192 | \$ 98,038,185 | \$ 265,982,087 | \$ 1,601,467 | \$ 3,033,085 | \$ 101,400,145 | \$ 280,908,364 |
| Other Real Estate: | | | | | | | | | |
| Ending Value | 05/31/2013 | \$ 29,410 | \$ 29,410 | \$ 13,547 | \$ 13,547 | \$ - | \$ - | \$ 42,957 | \$ 42,957 |
| Increase or | | | | | | | | | |
| Decrease | | (3,084) | (3,084) | - | - | - | - | (3,084) | (3,084) |
| Ending Value | 08/31/2013 | \$ 26,327 | \$ 26,327 | \$ 13,547 | \$ 13,547 | \$ - | \$ - | \$ 39,873 | \$ 39,873 |

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.
Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

ACADEMIC INSTITUTIONS

11. Contract (funds going out) - U. T. Arlington: Alpha Building Corporation job order contract for interior renovations and general contracting services

Agency: Alpha Building Corporation

Funds: Cost will vary depending on scope of project with potential to exceed \$1,000,000, with no maximum or no minimum required

Period: June 28, 2013 through June 27, 2015 with two optional two-year renewals

Source of Funds: Auxiliary Enterprises Revenue, Designated Tuition and/or Plant Fund Balances depending on project

Description: Provision of specified construction contracting services to assist with small, institutionally managed, facility repair and renovation projects. This contract was competitively bid.

12. Contract (funds going out) - U. T. Arlington: CCS Custard Construction Services, Inc. job order contract for interior renovations and general contracting services

Agency: CCS Custard Construction Services, Inc.

Funds: Cost will vary depending on scope of project with potential to exceed \$1,000,000, with no maximum or no minimum required

Period: June 28, 2013 through June 27, 2015 with two optional two-year renewals

Source of Funds: Auxiliary Enterprises Revenue, Designated Tuition and/or Plant Fund Balances depending on project

Description: Provision of specified construction contracting services to assist with small, institutionally managed, facility repair and renovation projects. This contract was competitively bid.

13. Contract (funds going out) - U. T. Arlington: Harendt Construction Group, LLC job order contract for interior renovations and general contracting services

Agency: Harendt Construction Group, LLC

Funds: Cost will vary depending on scope of project with potential to exceed \$1,000,000, with no maximum or no minimum required

Period: June 28, 2013 through June 27, 2015 with two optional two-year renewals

Source of Funds: Auxiliary Enterprises Revenue, Designated Tuition and/or Plant Fund Balances depending on project

Description: Provision of specified construction contracting services to assist with small, institutionally managed, facility repair and renovation projects. This contract was competitively bid.

14. Lease - U. T. Austin: Authorization to lease space to University Federal Credit Union for automated teller machine locations

Description: Lease of sites for 43 automated teller machines at various locations on the U. T. Austin campus and also at the Dell Pediatric Research Institute

Lessee: University Federal Credit Union, a federally chartered nonprofit corporation

Term: The lease term commences on December 1, 2013, and continues through June 30, 2026; U. T. Austin has the right to extend the term for two periods of five years each. U. T. Austin selected University Federal Credit Union through a request for proposals process.

Lease Income: Consideration to U. T. Austin includes \$58,833 in base rent and \$1,720 in operating expenses per month, for a total of approximately \$9,068,053 over the primary term and up to an additional \$7,206,400 if the institution exercises both renewal options.

15. Lease - U. T. Austin: Authorization to lease space to Bank of America, N. A., for automated teller machine locations

Description: Lease of sites for 17 automated teller machines at various locations on the U. T. Austin campus and also at the Lady Bird Johnson Wildflower Center

Lessee: Bank of America, N. A., a federally chartered banking association

Term: The lease term commences on December 1, 2013, and continues through June 30, 2026; U. T. Austin has the right to extend the term for two periods of five years each. U. T. Austin selected Bank of America through a request for proposal process.

Lease Income: Consideration to U. T. Austin includes \$33,575 in base rent and \$680 in operating expenses per month, for a total of approximately \$5,172,505 over the primary term and up to an additional \$4,110,600 if the institution exercises both renewal options.

16. Lease - U. T. Austin: Authorization to extend an existing lease of space from B & G Austin Partners, L.P. at 3316 Grandview Street, Austin, Travis County, Texas, for general office use

Description: Extension of lease of approximately 8,192 square feet at 3316 Grandview Street, Austin, Travis County, Texas, for general office use by U. T. Austin's Center for Community College Survey of Student Engagement Office, which is currently housed in the space and which will continue to occupy the space during the lease extension.

Lessor: B & G Austin Partners, L.P., a Texas limited partnership

Term: The original lease term commenced on August 29, 2008, and continues through February 28, 2014; the proposed extension term commences March 1, 2014, and ends on February 28, 2019; however, either party may terminate the lease on or after February 28, 2017, on one year's prior notice.

Lease Costs: Approximately \$871,259 in base rent, utility costs, and operating expenses over the initial lease term and approximately \$970,294 in base rent, utility costs, and operating expenses over the extension term, for a total estimated cost of \$1,841,553. The Lessor will expend approximately \$49,152 to renovate the space to better accommodate use by U. T. Austin. As the extension of the lease results in a total cost to U. T. Austin in excess of \$1,000,000 in the aggregate, this lease extension is being submitted to the Board of Regents' for authorization.

Source of Funds: Programmatic income generated from programs housed in the leased premises

17. Contract (funds coming in) - U. T. Austin: Institute for Public School Initiatives to provide professional development and training to the El Paso Independent School District

Agency: El Paso Independent School District

Funds: \$824,230 for the original contract and Amendment No. 1; \$1,654,464 for Amendment No. 2 (amended contract is being brought forward for Board approval since, as amended, the contract will exceed the \$1,000,000 threshold)

Period: September 1, 2012 through December 31, 2013 for the original contract and Amendment No. 1; Amendment No. 2 will extend the contract to December 31, 2014

Description: U. T. Austin's Texas Literacy Initiative Leadership Team at the Institute for Public School Initiatives provides ongoing professional development and support to the El Paso Independent School District's early childhood centers, elementary schools, middle schools, high schools, and Curriculum and Instruction Department. Support includes facilitating the Texas State Literacy Plan online course, monitoring implementation, and aligning literacy instructional practices from age 0 - grade 12, and working with campus leadership teams on how to integrate literacy practices across content areas.

18. Contracts (funds coming in) - U. T. Austin: Approval to assign a previously approved stadium chair rental program agreement with Integrated Stadium Seating, Inc. to IMG College Seating, LLC

Agency: Obligations of Integrated Stadium Seating, Inc. (ISS) to be assigned to IMG College Seating, LLC (IMGCS)

Funds: Estimated remaining value of the agreement \$1,791,830, if all options to renew are exercised

Period: Effective from date of execution through April 30, 2015, with option to renew for two additional two-year periods

Description: On August 23, 2012, the Board approved an agreement with ISS to provide U. T. Austin with a stadium chair rental program. ISS has successfully operated the program since June 1, 2002, in compliance with all terms of the agreement. On August 28, 2013, IMGCS purchased all of the ISS seating management contracts, assets, and inventory, including those of U. T. Austin. The association of the two companies was limited to this single transaction.

U. T. Austin seeks the Board's approval of assignment of the agreement to IMGCS. IMGCS will assume all obligations previously agreed to by ISS to provide U. T. Austin with a turnkey stadium chair rental program, including such activities as marketing, rental order processing, customer service, and installation and removal of the cushioned, seatback chairs.

The assignment to IMGCS is in the best interest of U. T. Austin. The university will receive the same annual royalty guarantee commitment

from IMGCS, and IMGCS will maintain the current staff and operations currently provided by ISS. In addition, IMGCS is better able to promote the rental program, through multimedia rights held by its parent company, IMG Communication, Inc., thus potentially increasing revenues for the university.

19. Contracts (funds going out) - U. T. Austin: Workday, Inc. to provide a cloud-based, enterprise resource planning (ERP) system that includes a full suite of integrated human resources, payroll, and financial applications

Agency: Workday, Inc.

Funds: Estimated \$30,000,000 for the initial contract period and all renewal options

Source of Funds: Designated Funds and Education and General Funds

Period: Effective from the date of execution for a five-year period with an option to renew for five additional one-year periods

Description: Workday, Inc. to provide a cloud-based, state-of-the-art enterprise resource planning (ERP) system for U. T. Austin that will include a full suite of integrated human resources, payroll, and financial applications. This system will replace the current *DEFINE system (DEpartmental Financial Information NEtwork) that is accessed through the University's mainframe computer. A modern ERP system is necessary to support the implementation of and maximize the benefits of the Shared Services approach to administrative services, and to conduct university business in a secure, highly-integrated, seamless environment.

20. Contract (funds going out) - U. T. Austin: Praxair, Inc. to provide a liquid nitrogen storage tank and delivery of liquid nitrogen to U. T. Austin McDonald Observatory at Mount Locke

Agency: Praxair, Inc.

Funds: \$1,147,692 including all renewals

Source of Funds: Restricted Funds

Period: March 1, 2014, to expire five years from first delivery of liquid nitrogen. The agreement may be renewed for five additional one-year periods.

Description: Praxair, Inc. to provide a liquid nitrogen storage tank on a monthly rental basis and the delivery of liquid nitrogen to the U. T. Austin McDonald Observatory at Mount Locke. Praxair was selected through the request for proposal process.

Chairman Foster and Regent Hildebrand will abstain from voting on this item.

21. Tenure Appointments - U. T. Austin: Amendments to the 2013-14 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary</u> | | <u>RBC #</u> |
|---|-----------------------|---------------|-------------------------|----------------|--------------|
| | | | <u>No. Mos.</u> | <u>Rate \$</u> | |
| Lyndon B. Johnson School of Public Affairs School of Public Affairs Associate Professor Sheila M. Olmstead (T) | 9/1/2013 | 100 | 09 | 110,000 | 5376 |
| McCombs School of Business Finance Associate Professor John W. Hatfield (T) | 9/1/2013 | 100 | 09 | 210,000 | 5378 |
| College of Liberal Arts Anthropology Professor Paul Kockelman (T) | 9/1/2013 | 100 | 09 | 135,000 | 5379 |
| Lyndon B. Johnson School of Public Affairs School of Public Affairs Associate Professor Todd A. Olmstead (T) | 9/1/2013 | 100 | 09 | 80,000 | 5381 |
| College of Fine Arts Art and Art History Associate Professor Carma R. Gorman (T) | 9/1-5/31 | 100 | 09 | 76,000 | 5510 |

| | | | | | |
|--|----------|-----|----|---------|------|
| College of Liberal Arts Geography and the Environment Professor Sheryl L. Beach (T) | 9/1-5/31 | 100 | 09 | 160,000 | 5514 |
| College of Pharmacy Pharmacy Associate Professor Michela Marinelli (T) | 9/1-5/31 | 100 | 09 | 92,000 | 5515 |
| College of Liberal Arts Religious Studies Associate Professor Jonathan W. Schofer (T) | 9/1-5/31 | 100 | 09 | 93,000 | 5520 |
| College of Liberal Arts Psychology Professor Jasper A. Smits (T) | 9/1-5/31 | 100 | 09 | 135,000 | 5521 |
| College of Liberal Arts Government Professor Maurizio Viroli (T) | 9/1-5/31 | 100 | 09 | 290,000 | 5523 |

22. Emeritus Appointments - U. T. Austin: Approval of emeritus titles

Charles B. Chiu, from Professor to Professor Emeritus, Department of Physics (RBC No. 5396) -- amendment to the 2013-14 budget

Antony G. Hopkins, from Walter Prescott Webb Chair in History and Professor to Walter Prescott Webb Chair Emeritus in History, Department of History (RBC No. 5397) -- amendment to the 2012-13 budget

David M. Oshinsky, from Jack S. Blanton, Sr. Chair in History and Professor to Jack S. Blanton Sr. Chair Emeritus in History, Department of History (RBC No. 5398) -- amendment to the 2013-14 budget

Paul L. Stoffa, from Shell Companies Foundation Distinguished Chair in Geophysics and Professor to Shell Companies Foundation Distinguished Chair Emeritus in Geophysics, Department of Geological Sciences (RBC No. 5399) -- amendment to the 2013-14 budget

Neal E. Armstrong, from Zarrow Centennial Professor in Engineering to Zarrow Centennial Professor Emeritus in Engineering, Department of Civil, Architectural, and Environmental Engineering (RBC No. 5482) -- amendment to the 2013-14 budget

Edward J. Powers, from Texas Atomic Energy Research Foundation Professor in Engineering to Texas Atomic Energy Research Foundation Professor Emeritus in Engineering, Department of Electrical and Computer Engineering (RBC No. 5483) -- amendment to the 2013-14 budget

William Mack Grady, from Josey Centennial Professor in Energy Resources to Josey Centennial Professor Emeritus in Energy Resources, Department of Electrical and Computer Engineering (RBC No. 5485) -- amendment to the 2013-14 budget

Mohammad Ghanoonparvar, from Professor to Professor Emeritus, Department of Middle Eastern Studies (RBC No. 5486) -- amendment to the 2013-14 budget

Aaron Bar-Adon, from Professor to Professor Emeritus, Department of Middle Eastern Studies (RBC No. 5487) -- amendment to the 2013-14 budget

23. Emeritus Appointment - U. T. Brownsville: Appointment of William Berg from Professor in the College of Science, Mathematics and Technology to Professor Emeritus (RBC No. 5472) -- amendment to the 2013-2014 budget

24. Emeritus Appointment - U. T. Dallas: Appointment of Lynn Melton from Professor of Science/Mathematics Education, Department of Mathematics, School of Natural Sciences and Mathematics, to Professor Emeritus (RBC No. 5431) -- amendment to the 2013-14 budget

25. Contract (funds going out) - U. T. El Paso: Deer Oaks EAP Services, a Texas limited liability company, to provide an Employee Assistance Program

Agency: Deer Oaks EAP Services, a Texas limited liability company

Funds: Approximately \$100,443 for the initial three-year term, and \$33,481 per year for each of the two one-year renewal options

Period: October 1, 2013 through September 30, 2016 with two additional one-year term renewal options

Source of Funds: U. T. System Employee Assistance Program Funding

Description: Deer Oaks EAP Services will administer the Employee Assistance Program which is designed to provide employees, retirees, and their eligible dependents with assistance in resolving personal and/or work-related problems. Pursuant to Regents' Rule 10501, Section 3.3, this item is being brought before the Board because Deer Oaks EAP Services will be using U. T. El Paso trademarks in connection with medical-related services under a license granted in this agreement. This contract was competitively bid.

26. Tenure Appointment - U. T. El Paso: Amendments to the 2013-14 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary</u> | | <u>RBC #</u> |
|---------------------|-----------------------|---------------|-------------------------|----------------|--------------|
| | | | <u>No. Mos.</u> | <u>Rate \$</u> | |
| COLLEGE OF SCIENCE | | | | | |
| Mathematics | | | | | |
| Associate Professor | | | | | |
| Xiaogang Su (T) | 9/1 | 100 | 09 | 86,000 | 5448 |

27. Purchase - U. T. Pan American: Authorization to purchase approximately 1.84 acres and improvements at 317 North Sugar Road, Hidalgo County, Texas, from Edinburg Church of Christ

Description: Purchase of approximately 1.84 acres of land and improvements at 317 North Sugar Road in Edinburg, Hidalgo County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to purchase the property. The improvements consist of approximately 9,475 square feet of church building, supporting classrooms, and a fellowship hall. The property will be used for parking in the immediate term and long term for programmed development of campus expansion.

Seller: Edinburg Church of Christ, a Texas nonprofit corporation

Purchase Price: Not to exceed fair market value as established by an independent appraisal, plus all due diligence expenses, closing costs, and expenses to complete the acquisition as deemed necessary by the Executive Director of Real Estate. The appraisal is confidential pursuant to *Texas Education Code* Section 51.951.

Source of Funds: Unexpended Plant Fund Balances

28. Transfer of Funds - U. T. Pan American: Amendment to the 2013-2014 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>\$ Amount</u> | <u>RBC #</u> |
|--|------------------|--------------|
| Building Alterations and Maintenance Designated Funds | | |
| Amount of Transfer: | \$4,533,822 | 5470 |

From: Designated Tuition - Designated Funds

To: Building Alterations and Maintenance - Unexpended Plant Funds

To transfer funds from Designated Tuition into Unexpended Plant Funds to fund various projects: Academic and Administration Building; Real Estate Purchases (i.e., Church of Christ building); and various smaller deferred maintenance projects that are each less than \$1,000,000.

HVAC Replacement
Auxiliary Funds

Amount of Transfer: \$767,650

From: Pledged Activities - Auxiliary Funds

To: HVAC Replacement - Unexpended Plant Funds to transfer funds from Auxiliary Funds into Unexpended Plant Funds to fund HVAC Replacement

29. Tenure Appointment - U. T. Pan American: Amendments to the 2013-14 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary</u> | | <u>RBC #</u> |
|---|-----------------------|---------------|-------------------------|----------------|--------------|
| | | | <u>No. Mos.</u> | <u>Rate \$</u> | |
| SOCIAL AND BEHAVIORAL SCIENCES Professor | | | | | |
| William R. Donner (T) | 9/1-5/31 | 100 | 09 | 68,200 | 5384 |

30. Report - U. T. Permian Basin: No items for the Consent Agenda

31. Contract (funds going out) - U. T. San Antonio: GCA Education Services, Inc. to perform custodial, landscape, and grounds maintenance services in various facilities and premises

Agency: GCA Education Services, Inc.

Funds: Fees not to exceed \$16,000,000 for the initial term and the three optional 12-month renewal terms (cumulative)

Period: Initial 24-month term beginning September 1, 2013, with three additional 12-month renewal options

Source of Funds: Designated Tuition

Description: Custodial, landscape, and grounds maintenance in various campus facilities and premises. The services will initially be performed only at the Downtown Campus and the Institute of Texan Cultures at HemisFair Park Campus. The services will be gradually implemented at the University's Main Campus based on attrition of current University personnel over the term of the agreement.

32. Emeritus Appointment - U. T. Tyler: Appointment of Linda Klotz from Dean, College of Nursing and Health Sciences, to Professor Emeritus (RBC No. 5495) -- amendment to the 2013-14 budget

33. Request for Budget Change - U. T. Tyler: Transfer \$1,023,496 from Patriots Applying Technology for Success and Savings Operating Funds to Innovation Academy Building and Site Preparation and IT Capital Equipment Purchases Fund (RBC No. 5496) -- amendment to the 2013-14 budget

34. Request for Budget Change - U. T. Tyler: Transfer \$912,148 from Innovation Academy fund to Patriots Applying Technology for Success and Savings Operating Funds for course development, faculty development, marketing, and software licensing (RBC No. 5498) -- amendment to the 2013-14 budget

HEALTH INSTITUTIONS

35. Contract (funds coming in) - U. T. Southwestern Medical Center: University to provide physician services to Parkland Health and Hospital System

Agency: Dallas County Hospital District

Funds: \$65,391,201

Period: October 1, 2013 through September 30, 2014
Description: University to provide physician services to Parkland Health and Hospital System

36. Contract (funds coming in) - U. T. Southwestern Medical Center: University to provide physicians and other health care services to Parkland Health and Hospital System

Agency: Dallas County Indigent Care Corporation (DCICC)
Funds: \$132,986,396
Period: October 1, 2013 through September 30, 2014
Description: University to provide physician and other health care services at Parkland Health and Hospital System to indigent and needy persons in and around Dallas County, Texas

37. Contract (funds coming in) - U. T. Southwestern Medical Center: University to provide professional and administrative services to support the operations of UT Southwestern Health Systems

Agency: UT Southwestern Health Systems
Funds: \$2,177,533
Period: September 1, 2013 through August 31, 2014
Description: University to provide professional and administrative services to support the operations of UT Southwestern Health Systems. UT Southwestern Health Systems is an affiliated entity and its financials are consolidated with the financials of U. T. Southwestern Medical Center and the President of U. T. Southwestern Medical Center is the member of UT Southwestern Health Systems.

38. Contract (funds going out) - U. T. Southwestern Medical Center: Mile Hi Valet Service dba Towne Park Ltd. to provide valet and cashier services

Agency: Mile Hi Valet Service dba Towne Park Ltd.
Funds: \$1,800,000
Period: January 16, 2014 through January 31, 2019
Source of Funds: Auxiliary Revenue and Medical Service Plan Funds

Description: Mile Hi Valet Service dba Towne Park Ltd. to provide valet and cashier services on campus

39. Contract (funds going out) - U. T. Southwestern Medical Center: Contract with UT Southwestern Health Systems for Accountable Care Network and Facility services

Agency: UT Southwestern Health Systems

Funds: \$4,350,708

Period: September 1, 2013 through August 31, 2014

Source of Funds: Designated Funds

Description: Contract with UT Southwestern Health Systems for Accountable Care Network and Facility services. UT Southwestern Health Systems is an affiliated entity and its financials are consolidated with the financials of UT Southwestern and the President of U. T. Southwestern Medical Center is the member of UT Southwestern Health Systems.

40. Lease - U. T. Southwestern Medical Center: Authorization to lease space from Brookriver Executive Center, JV at 8150 - 8200 Brookriver Drive, Dallas, Dallas County, Texas, for administrative office use

Description: Lease of approximately 79,280 square feet of office space at 8150 - 8200 Brookriver Drive, Dallas, Dallas County, Texas, for administrative office use

Lessor: Brookriver Executive Center, JV, a Texas joint venture

Term: The lease is estimated to commence on February 1, 2014, and the term is for a period of 127 months. U. T. Southwestern Medical Center has the option, exercisable in its discretion, to renew the lease for three five-year renewal terms.

Lease Costs: \$11,631,356.34 in rent and estimated operating expenses during the initial 10-year term. Rent is abated during the first seven months of the term; base rent for the remainder of the first year of the term is \$12 per square foot; base rent increases periodically thereafter during the term to \$14 per square foot in the final year of the initial term. Operating expenses are in addition to base rent in the second and subsequent lease years. Rent for the renewal option period will be at the then fair market rental. Additionally, U. T. Southwestern Medical Center will have an ongoing right of first refusal to lease contiguous space in the building. The lessor will construct

improvements to the premises at its sole cost based upon a plan approved by both lessor and U. T. Southwestern Medical Center.

Source of Funds: Clinical operating funds

41. Tenure Appointment - U. T. Southwestern Medical Center: Amendment to the 2012-13 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary</u> | | <u>RBC #</u> |
|-----------------------------|-----------------------|---------------|-------------------------|----------------|--------------|
| | | | <u>No. Mos.</u> | <u>Rate \$</u> | |
| SOUTHWESTERN MEDICAL CENTER | | | | | |
| Cell Biology Professor | | | | | |
| Gaudenz Danuser (T) | 7/1/2013 | 100 | 12 | 220,000 | 5325 |

42. Tenure Appointment - U. T. Southwestern Medical Center: Amendment to the 2013-14 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary</u> | | <u>RBC #</u> |
|---------------------------------|-----------------------|---------------|-------------------------|----------------|--------------|
| | | | <u>No. Mos.</u> | <u>Rate \$</u> | |
| Southwestern Medical Center | | | | | |
| Radiation Oncology Professor | | | | | |
| Steve Jiang (T) | 10/1/2013 | 100 | 12 | 300,000 | 5543 |
| Surgery | | | | | |
| Professor and Chairman | | | | | |
| Michael Choti (T) | 10/1/2013 | 100 | 12 | 650,000 | 5544 |

43. Emeritus Appointment - U. T. Southwestern Medical Center: Appointment of Myron Weiner from Clinical Professor, Southwestern Medical School, Psychiatry, to Professor Emeritus (RBC No. 5414) -- amendment to the 2012-2013 budget

44. Emeritus Appointment - U. T. Southwestern Medical Center: Appointment of Joel Steinberg from Professor, Southwestern Medical School, Pediatrics, to Professor Emeritus, effective 7/1/2013 (RBC No. 5542) -- amendment to the 2012-2013 budget

45. Contract (funds coming in) - U. T. Medical Branch - Galveston: University to provide cancer screening services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services

Funds: \$1,185,391

Period: September 1, 2013 through August 31, 2014

Description: University to provide comprehensive breast and cervical cancer screening services to eligible individuals

46. Contract (funds coming in) - U. T. Medical Branch - Galveston: University to provide Nutrition Program for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (TDSHS)

Funds: \$3,557,962

Period: October 1, 2013 through March 31, 2014

Description: University to continue to administer the TDSHS Special Supplemental Nutrition Program for Women, Infants, and Children

47. Contract (funds coming in) - U. T. Medical Branch - Galveston: University to provide family planning services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services

Funds: \$5,867,601

Period: September 1, 2013 through August 31, 2014

Description: University will continue to provide comprehensive family planning services to include medical, counseling, client education, referral, community education, and outreach services to Title X eligible individuals.

48. Contract (funds coming in) - U. T. Medical Branch - Galveston: University to provide early childhood intervention services for the Texas Department of Assistive and Rehabilitative Services

Agency: Texas Department of Assistive and Rehabilitative Services
Division for Early Childhood Intervention Services (DARS ECI)

Funds: \$801,190 for first year; \$1,602,380 including optional renewal period

Period: September 1, 2013 through August 31, 2014 (with an option for one one-year renewal)

Description: University to provide a program of early childhood intervention services for children with developmental delay and respite services for families of children enrolled in DARS ECI comprehensive services

49. Contract (funds coming in) - U. T. Medical Branch - Galveston: University to provide pharmaceutical and dispensing services for Texas Tech University Health Sciences Center

Agency: Texas Tech University Health Science Center (TTUHSC)

Funds: Approximately \$6,000,000 which will vary depending on specific volume and cost of services provided

Period: September 1, 2013 through August 31, 2015

Description: University to provide pharmaceutical and dispensing services for TTUHSC at Texas Department of Criminal Justice facilities for which TTUHSC is responsible

50. Contract (funds coming in) - U. T. Medical Branch - Galveston: Value Options of Texas, Inc. to provide various services

Agency: Value Options of Texas, Inc.

Funds: \$1,800,000 for first year

Period: October 1, 2013 through August 31, 2014 with options for four one-year extensions

Description: University to provide administration of uniform assessment, primary care medical screening services, care coordination of clinical subspecialty services, and clinical pharmacy services to indigent members of the NorthSTAR program

51. Lease - U. T. Medical Branch - Galveston: Authorization to lease space to University Federal Credit Union for automated teller machine locations

Description: Extension of lease term for lease of sites for eight automated teller machines at eight locations on the U. T. Medical Branch - Galveston main campus and Victory Lakes campus

Lessee: University Federal Credit Union, a federally chartered nonprofit corporation

Term: The extension term commences on January 1, 2014, and continues through December 31, 2015. The original lease commenced on December 10, 2003. The institution currently plans to select an automated teller machine vendor through a request for proposal process when this extension expires.

Lease Income: Consideration to U. T. Medical Branch - Galveston includes \$8,330.78 in base rent and \$200 in operating expenses per month, for a total of approximately \$204,739 over the two-year extension term. This current lease extension, when added to the primary lease term and prior lease extensions, will result in aggregate revenue to U. T. Medical Branch in excess of \$1,000,000, and, therefore, this lease extension is being submitted to the Board of Regents for authorization.

52. Lease - U. T. Health Science Center - Houston: Authorization to lease space from AFIAA WFT, LLC, at 400 West 15th Street, Austin, Travis County, Texas, for office use

Description: Lease of space at 400 West 15th Street, Austin, Travis County, Texas, to be used by U. T. Health Science Center - Houston as expansion office space for the Austin Regional Campus of the School of Public Health. Authorization is requested for U. T. Health Science Center - Houston's Senior Executive Vice President, Chief Operating and Financial Officer to execute the lease on completion of negotiations and approval by the Real Estate Office.

Lessor: AFIAA WFT, LLC, a Delaware limited liability company

Term: Term is expected to commence on substantial completion of construction by the lessor, which is currently estimated to be February 1, 2014, and continue for 63 months. The tenant has an option to renew for a five-year extension term at a market rental.

Total Area: Approximately 7,627 square feet

Lease Costs: Approximately \$843,738 in base rent, plus estimated operating expenses of approximately \$520,542.80 over the 63-month term. Base rent is free for the first three months of the term, then base rent

for the remainder of the first year is \$21 per square foot on an annualized basis; rent increases 50 cents per square foot every year of the term. Estimated operating expenses are approximately \$13 per square foot. Total renovation and relocation costs are approximately \$15 per square foot and the lessor is providing a tenant allowance of \$15 per square foot. The institution will maintain a \$1.50 per square foot contingency from its own funds for any costs in excess of the tenant allowance.

Source of Funds: Austin Regional Campus designated support funds

53. Contract (funds coming in) - U. T. Health Science Center - Houston: Texas Department of Family and Protective Services to improve access to medical professionals

Agency: Texas Department of Family and Protective Services

Funds: \$2,500,816

Period: September 1, 2013 through August 31, 2014

Description: Interagency contract to create resources that will improve access to medical professionals with expertise in the diagnosis of child abuse or neglect for Child Protective Services

54. Contract (funds going out) - U. T. Health Science Center - Houston: Mile Hi Valet Service, Inc., a Towne Park affiliate, to provide professional valet parking management services for patients and visitors of the University

Agency: Mile Hi Valet Service, Inc., a Towne Park affiliate

Funds: The amount due the contractor shall be the sum of all allowable operating expenses plus the agreed upon management rate structure (\$12.41 x 545.5 attendant hours per week x 52 weeks) fee minus any deductions.

Period: December 1, 2013 through August 31, 2016

Description: To provide professional valet parking management services for patients and visitors of the University.

- 55. Emeritus Appointment - U. T. Health Science Center - Houston: Appointment of Marianne T. Marcus from Professor, School of Nursing, to Professor Emeritus in the School of Nursing (RBC No. 5579) -- amendment to the 2013-2014 budget
- 56. Emeritus Appointment - U. T. Health Science Center - Houston: Appointment of Guy S. Parcel from Professor, School of Public Health, Division of Health Promotion and Behavioral Sciences to Professor Emeritus in the School of Public Health (RBC No. 5551) -- amendment to the 2013-2014 budget
- 57. Tenure Appointment - U. T. Health Science Center - Houston: Amendment to the 2013-2014 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

| <u>Description</u> | <u>Effective Date</u> | <u>% Time</u> | <u>Full-time Salary No. Mos.</u> | <u>Rate \$</u> | <u>RBC #</u> |
|--|-----------------------|---------------|----------------------------------|----------------|--------------|
| UTHSC-H Medical School Department of Biochemistry and Molecular Biology Associate Professor Darren Boehning (A)(T) | 11/1/2013 | 100 | 12 | \$119,000 | 5595 |

- 58. Emeritus Appointment - U. T. Health Science Center - San Antonio: Appointment of Margaret Brackley from Professor, School of Nursing, Family and Community Health Systems to Professor Emeritus (RBC No. 5439) -- amendment to the 2013-14 budget
- 59. Contract (funds coming in) - U. T. M. D. Anderson Cancer Center: Provider agreement template for use with international embassies

Agency: Various international embassies

Funds: Payment will vary per embassy and patient volumes

Period: The standard term of the agreement with each embassy will be for an initial period of 24 months; however, this may vary per embassy. Agreements may be renewed for successive one-year terms.

Description: Pursuant to Regents' Rule 10501, the embassy agreement template will serve as a legal document governing the contractual obligations of both U. T. M. D. Anderson Cancer Center and the international embassies that financially sponsor their citizens' patient care.

Specifically, the agreement will outline the terms and conditions to be followed by both parties as it relates to the payment of health care services provided by U. T. M. D. Anderson Cancer Center to international embassy patients.

60. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Encore Health Resources, LLC, to provide professional IT resources for ongoing support of the institution's electronic medical records (EMR) system

Agency: Encore Health Resources, LLC

Funds: Total fees for all services under the initial term of this agreement and any amendments estimated to be \$48,000,000

Source of Funds: Hospital patient income

Period: The term of this agreement is for a period of 36 months commencing on January 1, 2013, and continuing through December 31, 2015. The agreement also includes the option for two 12-month renewals.

Description: Under this master services agreement, Encore Health Resources will provide professional information technology resources to assist in the selection, configuration, implementation, and deployment of an Electronic Health Records (EHR) System. The vendor will also assist in supporting ClinicStation, the institution's current EMR system, until deployment of the new EHR System is complete.

This agreement with Encore Health Resources was initially approved by the Board of Regents on February 14, 2013. Although the contract value presented on the February 14, 2013 Consent Agenda was \$48,000,000, the approval provided by the Board of Regents limited payment for all services under the initial term of the agreement and amendments to \$7,500,000 because U. T. M. D. Anderson Cancer Center had not yet selected an EHR vendor.

Epic Systems Corporation was recently selected as the EHR vendor and, pending Board of Regents' approval of the agreement with Epic Systems Corporation, the institution is seeking authorization to spend the remaining \$40,500,000 of the contract value. (See related Item 4, Health Affairs Committee, Page 127.)

61. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Cognizant Technology Solutions U.S. Corporation to provide the development and management of and International Classification of Diseases, 10th Edition, coding system strategy and project plan

Agency: Cognizant Technology Solutions U.S. Corporation

Funds: The contract cap under the initial agreement was \$2,200,000. This amendment increases the contract cap to \$4,785,000.

Source of Funds: Hospital patient income

Period: This initial term of the agreement was for 12 months, commencing on March 4, 2013, and continuing through March 3, 2014. The agreement included the option for four 12-month renewals. This amendment utilizes the first renewal option and extends the term to March 3, 2015.

Description: U. T. M. D. Anderson Cancer Center must implement the change to the International Classification of Diseases, 10th Edition, coding system by the federally mandated deadline of October 1, 2014. This change represents a major change to the billing systems and processes.

The vendor will provide the development and management of an implementation strategy and project plan, to include enterprise testing, and the development and implementation of a software application that the institution will use to perform the translation of codes from ICD-9 to ICD-10.

Regent Hildebrand will abstain from voting on this item.

62. Contract (funds going out) - U. T. Health Science Center - Tyler: Four contracts with Palestine Regional Medical Center to provide services for various projects

Agency: Palestine Regional Medical Center, Palestine, Texas (four contracts)

Funds: \$2,700,540

Source of Funds: Delivery System Reform Incentive Payment (DSRIP) Funding, 1115 Waiver

Period: January 1, 2013 through September 30, 2014

Description: Delivery of crisis stabilization services, Behavioral Health services, Quality Services, and Telepsych Network services through DSRIP projects, with two two-year extensions. Provide short-term treatment for behavioral health patients requiring observation and stabilization from acute symptoms of mental illness. This item was late as the contracts were received past the previous Consent Agenda deadlines.

63. Contract (funds going out) - U. T. Health Science Center - Tyler: Four Contracts with Christus St. Michael to provide services for various projects

Agency: Christus St. Michael, Texarkana, Texas (four contracts)

Funds: \$12,855,736

Source of Funds: Delivery System Reform Incentive Payment (DSRIP) Funding, 1115 Waiver

Period: January 1, 2013 through September 30, 2014

Description: Delivery of dental care, primary care, Patient Centered Medical Home services and Improved Care Transitions through DSRIP projects, with two, two-year extensions. This item was late as the contracts were received past the previous Consent Agenda deadlines.