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Board Meeting: 8/22-23/2007
Austin, Texas

Wednesday, August 22, 2007

**Board/Committee
Meeting**

COMMITTEE MEETING

- | | |
|--|---|
| Audit, Compliance, and Management Review Committee | 11:30 a.m. - 12:30 p.m. |
| A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO <i>TEXAS GOVERNMENT CODE</i> , CHAPTER 551 (Working Lunch) (continues from 5:15 - 6:15 p.m. as needed) | 12:30 - 2:20 p.m. <i>Chairman Huffines</i> |
| 1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074 | |
| a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees | |
| b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Director of Audits), and U. T. System and institutional employees and related personnel aspects of the operating budget for the year ending August 31, 2008 | |
| c. U. T. System: Discussion regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees including employees covered by Regents' <i>Rules and Regulations</i>, Series 20204, regarding compensation for highly compensated employees | |

Wednesday, August 22, 2007 (continued)

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** *Mr. Burgdorf*

- b. **U. T. Pan American: Discussion and appropriate action on pending litigation titled Board of Regents of The University of Texas System v. Geraldine F. Glick and Robert Edward Glick, Joint Independent Executors of the Estate of Kenith S. Glick, Deceased; Martha P. Glick and Judith Gail Glick, Joint Independent Executors of the Estate of Kemper H. Glick, Deceased; Geraldine F. Glick, Individually; Martha P. Glick, Individually; and Gordon Bloomfield, regarding the purchase of approximately 18.96 acres with improvements out of Lot 4, Block 273, Texas-Mexican Railway Company’s Survey, Edinburg, Hidalgo County, Texas, for initial use for parking and for future programmed development of campus expansion; and resolution regarding parity debt** *President Cárdenas
Ms. Mayne
Mr. Burgdorf*

3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

- a. **U. T. Tyler: Discussion and appropriate action related to a proposed negotiated gift with a potential naming feature for the College of Nursing and Health Sciences** *President Mabry
Dr. Safady*

- b. **U. T. Tyler: Discussion and appropriate action related to a proposed negotiated gift with a potential naming feature for the Palestine Campus building** *President Mabry
Dr. Safady*

B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS *2:20 p.m.*

C. RECESS *2:30 p.m.*

COMMITTEE MEETINGS

Finance and Planning Committee..... *2:30-3:25 p.m.*
Facilities Planning and Construction Committee..... *3:25-4:20 p.m.*
Academic Affairs Committee..... *4:20-5:15 p.m.*

D. RECONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551, AS NEEDED, TO CONSIDER ITEMS LISTED UNDER ITEMS A.1, A.2, AND A.3 *5:15 p.m.*

E. RECONVENE IN OPEN SESSION TO RECESS *6:15 p.m.*

Thursday, August 23, 2007

Board/Committee Meetings Page

COMMITTEE MEETINGS

Student, Faculty, and Staff Campus Life Committee
(including annual meeting with U. T. System Faculty
Advisory Council)

8:00-8:55 a.m.

Health Affairs Committee

9:00-9:55 a.m.

F. RECONVENE THE BOARD IN OPEN SESSION

10:00 a.m.

G. APPROVAL OF MINUTES

H. CONSIDER AGENDA ITEMS

1. **U. T. System Board of Regents: Chancellor's Quarterly Update including comments on the accomplishments of U. T. System over the past five years**

10:02 a.m.
Report
Chancellor Yudof

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2. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 10402 (Committees and Other Appointments) to add reference to the Type 2 Diabetes Risk Assessment Program Advisory Committee**

10:12 a.m.
Action
Ms. Frederick

1

3. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 20201 (Presidents), Section 4.9 concerning changes to an institution's Handbook of Operating Procedures**

10:14 a.m.
Action
Dr. Prior
Dr. Shine

2

4. **U. T. System Board of Regents: Amendments to the Regents' Rules and Regulations, Series 30601, concerning U. T. System-wide discipline and dismissal of classified employees**

10:16 a.m.
Action
Mr. Burgdorf

3

5. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 31002 and Series 31007 delegating to the presidents the authority to approve all faculty appointments with the exception of the initial award of tenure**

10:18 a.m.
Action
Dr. Prior
Dr. Shine

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6. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 40401, Section 3 concerning approval of certain fees and charges and Section 4 concerning approval to collect payment**

10:20 a.m.
Action
Chancellor Yudof

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7. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 80307, regarding corporate namings, to address namings for Less Prominent Facilities and Programs and to limit extent of naming approvals**

10:22 a.m.
Action
Dr. Safady
Mr. Burgdorf

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Thursday, August 23, 2007 (continued)

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| 8. U. T. System: Allocation of \$182.2 million of Permanent University Fund Bond Proceeds | <i>10:25 a.m.</i> Action <i>Dr. Kelley</i> <i>Dr. Shine</i> | 14 |
| 9. U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013; approval of the Capital Budget for Fiscal Year 2008-2009; redesignation of previously approved projects in the CIP; reduction of previously appropriated funds for repair and rehabilitation projects deleted or decreased in scope; appropriation of additional funds for previously approved projects with increased total project costs; appropriation of funds for new repair and rehabilitation projects initiated in the Capital Budget; approval of the use of Revenue Financing System parity debt for repair and rehabilitation projects initiated in the Capital Budget for which Revenue Financing System Bonds are identified as a funding source, and resolution regarding parity debt; consideration of possible designation of new and existing projects as architecturally or historically significant; approval of additional appropriation and authorization of expenditure for three previously approved projects | <i>10:55 a.m.</i> Action <i>Dr. Kelley</i> <i>Mr. O'Donnell</i> <i>President Mendelsohn</i> | 21 |
| 10. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for the fiscal year ending August 31, 2008, Permanent University Fund (PUF) Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation (LERR) Projects for FY 2008 | <i>11:25 a.m.</i> Action <i>Mr. Wallace</i> | 42 |
| 11. U. T. System Board of Regents: Approval of Permanent University Fund (PUF) Bond Proceeds allocation for the Science and Technology Acquisition and Retention (STARs) Program | <i>11:35 a.m.</i> Action <i>Mr. Wallace</i> | 43 |
| 12. U. T. System: Recommendation to authorize the U. T. System to extend an option to lease previously granted to the Office of the Governor of the State of Texas with regard to 6,300 acres in the West Texas Lands in Pecos County to allow land to be available to FutureGen Industrial Alliance, Inc., for long-term lease and injection and storage of CO₂ | <i>11:45 a.m.</i> Action <i>Mr. Burgdorf</i> | 45 |
| I. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD | <i>11:47 a.m.</i> | |

Thursday, August 23, 2007 (continued)

| | Board Meeting | Page |
|---|---|-------------|
| J. RECONVENE AS A COMMITTEE OF THE WHOLE | 12:00 p.m. | |
| 13. U. T. System Board of Regents: Presentation of certificate of appreciation to President John D. Stobo, M.D. | 12:00 p.m. Action <i>Chairman Huffines</i> | 50a |
| 14. U. T. System Board of Regents: Election of additional Vice Chairman (Regents' <i>Rules and Regulations</i>, Series 10102, Section 3) | 12:05 p.m. Action <i>Chairman Huffines</i> | 50a |
| K. ADJOURN | 12:10 p.m. | |

1. **U. T. System Board of Regents: Chancellor's Quarterly Update including comments on the accomplishments of U. T. System over the past five years**

REPORT

Chancellor Yudof will provide a quarterly update on U. T. System activities including highlights of the System's accomplishments over the past five years.

2. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 10402 (Committees and Other Appointments) to add reference to the Type 2 Diabetes Risk Assessment Program Advisory Committee**

RECOMMENDATION

It is recommended that the Regents' *Rules and Regulations*, Series 10402, regarding Committees and Other Appointments, be amended to add the Type 2 Diabetes Risk Assessment Program Advisory Committee as set forth below in congressional style:

Sec. 7 Type 2 Diabetes Risk Assessment Program Advisory Committee. Pursuant to *Texas Health and Safety Code* Section 95, one member of the Board of Regents will serve on the Type 2 Diabetes Risk Assessment Program Advisory Committee for the program administered by The University of Texas - Pan American Border Health Office.

BACKGROUND INFORMATION

The proposed amendment implements a portion of Senate Bill 415, passed by the Texas Legislature in 2007, to require that one member of the Board of Regents serve on the Type 2 Diabetes Risk Assessment Program Advisory Committee. The Program is for K-12 students who attend public or private schools.

3. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 20201 (Presidents), Section 4.9 concerning changes to an institution's Handbook of Operating Procedures**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 20201, Section 4.9 as set forth below in congressional style be amended to ensure that input is received by an institution's faculty governance body for forthcoming changes to the *Handbook of Operating Procedures* (HOP) pertaining to areas of faculty responsibility.

Sec. 4 Duties and Responsibilities. Within the policies and regulations of the Board of Regents and under the supervision and direction of the appropriate Executive Vice Chancellor, the president has general authority and responsibility for the administration of that institution. Specifically, the president is expected, with the appropriate participation of the staff, to:

...

4.9 Cause to be prepared and submitted to the appropriate Executive Vice Chancellor and the Vice Chancellor and General Counsel for approval, the rules and regulations for the governance of the institution and any related amendments. Such rules and regulations shall constitute the *Handbook of Operating Procedures* for that institution. Any rule or regulation in the institutional *Handbook of Operating Procedures* that is in conflict with any rule or regulation in the Regents' *Rules and Regulations*; is null and void and has no effect.

(a) Input from the faculty, staff, and student governance bodies for the institution will be sought for all significant changes to an institution's *Handbook of Operating Procedures*. The institutional *Handbook of Operating Procedures* will include a policy for obtaining this input that is in accordance with a model policy developed by the Office of General Counsel.

(b) Sections of the *Handbook of Operating Procedures* that pertain to the areas of faculty responsibility as defined in *Regents' Rules and Regulations, Series 40101* titled *Faculty Role in Educational Policy Formulation* will be explicitly

designated in the *Handbook of Operating Procedures*. The president, with the faculty governance body of the campus, shall develop procedures to assure formal review by the faculty governance body before such sections are submitted for approval. The formal review should be done within a reasonable timeframe (60 days or less).

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BACKGROUND INFORMATION

Currently, input on all significant changes to an institution's HOP must be sought from the institution's faculty, staff, and student governance bodies. The proposed amendment to the Regents' *Rules* requires each HOP to include a policy for obtaining this input and to include designation of areas of faculty responsibilities. Each president is to work with the faculty to develop procedures to assure formal review by the faculty governance body prior to approval of related changes in the HOP.

These revisions have been reviewed by the Presidents of the U. T. System institutions and the Faculty Advisory Council.

4. Deferred

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5. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 31002 and Series 31007 delegating to the presidents the authority to approve all faculty appointments with the exception of the initial award of tenure**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations* be amended as set forth below in congressional style:

- a. Amend Series 31002, Section 3, concerning the reappointment of nontenured faculty members, as follows to delegate that authority currently exercised by the Board be delegated to the president of an institution:

Sec. 3 Notice and Approval by President Required. Upon expiration of an appointment period, reappointment ~~Reappointment of nontenured members of the faculty to a succeeding academic year, reappointment of members of the faculty who are serving a seven-year term appointment to a succeeding seven-year term appointment, or the award of tenure or a seven-year term appointment, may be accomplished only by notice by approval of the president of an institution or his or her delegate with the approval of the Board of Regents. Reappointment of members of the faculty who are serving a seven-year term appointment to a succeeding seven-year term appointment may be accomplished only by notice by the president of an institution or his or her delegate. No nontenured member of the faculty shall expect continued employment beyond the period of his or her current appointment. Any commitment to employ a nontenured member of the faculty beyond the period of his or her current employment shall have no force and effect until approved by the president of the institution.~~

....

- b. Amend Series 31007, Section 6 requiring that "all faculty appointments be approved by the Board" as follows to delegate to the president of an institution all faculty appointments with the exception of the initial award of tenure:

Sec. 6 Board Approval. The award of tenure is ~~All faculty appointments are subject to the approval of the Board of Regents.~~

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BACKGROUND INFORMATION

Currently, all appointments and promotions involving faculty are required to be approved by the Board because of Regents' *Rules and Regulations*, Series 31007, Section 6 which states that all faculty appointments are subject to approval by the Board of Regents. Such approvals are handled via approval of the institutional budget. The recommendation to delegate to the president of each institution authority to make all faculty appointments, with the exception of the initial award of tenure, is made to promote operational efficiency within the U. T. System. Such appointments must comply with other provisions of the Regents' *Rules* such as those concerning the reasonableness of compensation.

These revisions have been reviewed by the Presidents of the U. T. System institutions and the Faculty Advisory Council.

6. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 40401, Section 3 concerning approval of certain fees and charges and Section 4 concerning approval to collect payment**

RECOMMENDATION

The Chancellor concurs in the recommendation of the General Counsel to the Board of Regents, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 40401, Sections 3 and 4 be amended as set forth below in congressional style:

- Sec. 3 Approval of Certain Fees and Charges Changes. The Board of Regents delegates to the presidents of the institutions the authority to assess and collect the following fees and other charges, upon a finding by the president that such fees and other charges and changes to such fees and other charges are required ~~approve changes in the amounts of other fees or charges authorized by *Texas Education Code* Sections 54.007, 54.501(a), 54.051(l), 54.504, or 55.16 that have previously been approved by the Board. As a condition for approval of any increase in such fees and charges, the institutional president must find that such increase is required in order for the fee or other charge to reasonably reflect the actual cost to the institution of the materials or services to be provided. The approval authority is conditioned on prior review and approval by the Executive Vice Chancellor for Academic Affairs or the Executive Vice Chancellor for Health Affairs.~~
1. Matriculation Fee, as authorized by *Texas Education Code* Section 54.006(a)
 2. Fees Associated with the Option to Pay Tuition by Installment, as authorized by *Texas Education Code* Section 54.007

3. Supplemental Fees for coaching or individual instruction, as authorized by Texas Education Code Section 54.051(l)
4. Laboratory Fees, as authorized by Texas Education Code Section 54.501(a)
5. Incidental Fees, as authorized by Texas Education Code Section 54.504
6. Charges and Fees for Certain Payments, related to electronic funds transfer or credit card payment, as authorized by Texas Education Code Section 54.5011
7. Continuing Education Course Fees, as authorized by Texas Education Code Section 54.545, and further detailed in Series 40403
8. Fees and Other Charges for rentals, rates, and charges for certain occupancy, services, use and availability of facilities or services, as authorized by Texas Education Code Section 55.16.

Sec. 4 Approval of Method of to Collect Payment. The Board of Regents delegates to the presidents of the institutions the authority to collect the payment of tuition, fees, and other charges in accordance with those methods prescribed or authorized by statute.

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations* codifies previous delegations related to the approval of selected new fees and fee changes and recommends additional delegation to the presidents to approve laboratory fees by course and specific course-related incidental fees after review and approval by the appropriate Executive Vice Chancellor.

State law requires the charge of a mandatory laboratory fee of \$2 to \$30 for each laboratory course at a general academic institution. The current approval process requires Board approval of each course's lab fee but allows a president to modify a previously approved lab fee. The proposed amendment would simplify that process.

For the course-related incidental fees, the Board has approved a range of charges for course-related fees at each institution. The current process requires resubmission of each course-related fee for approval.

7. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 80307, regarding corporate namings, to address namings for Less Prominent Facilities and Programs and to limit extent of naming approvals**

RECOMMENDATION

The Chancellor concurs in the recommendation of the General Counsel to the Board of Regents, the Vice Chancellor for External Relations, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 80307, regarding corporate namings, be amended to address namings for Less Prominent Facilities and Programs as set forth below in congressional style:

Sec. 1 General. Before proceeding with any naming, institutions must carefully consider all circumstances surrounding the naming, including the overall benefit to the institution and whether displaying the name is and will continue to be a positive reflection on the institution.

1.1 Review. Any naming of Facilities and Programs must undergo a high level of consideration and due diligence to ensure that the name comports with the purpose and mission of the U. T. System and the U. T. System its institutions. No naming shall be permitted for any corporation or individual whose public image, products, or services may conflict with such purpose and mission.

1.2 Time Limitation for Approval. Naming approvals granted under this policy are valid for a period not to exceed 180 days from the date of approval. After approval of a naming, the naming agreement must be executed within 180 days of that approval. If that does not occur, the naming must be resubmitted for approval.

...

Sec. 3 Naming of Less Prominent Facilities and Less Prominent Programs. The Board of Regents has delegated naming authority for Less Prominent Facilities and Less Prominent Programs to each president based on a set of general guidelines that are reviewed and approved by the Chancellor, except that any Corporate Naming requires approval by the Chancellor and compliance with the procedures set forth below in Section 8, including the requirement for advance consultation. The Vice Chancellor for External Relations will make final determinations concerning what types of Facilities and Programs may be considered Less Prominent.

...

Sec. 8 Corporate Naming. Each Corporate Naming for Prominent Facilities or Programs must be approved by the Board of Regents. Each Corporate Naming for Less Prominent Facilities or Programs must be approved by the Chancellor.

8.1 Special Considerations. The Office of External Relations must complete a detailed due diligence review, in accordance with policies and procedures established by that office, of the corporation prior to any Corporate Naming. Each Corporate Naming must be analyzed to ensure that there are no conflicts of interest. Certain restrictions may also apply to any proposed naming of a Facility financed with the proceeds of tax-exempt bonds.

8.2 Procedures for Corporate Naming. Before negotiating a possible Corporate Naming, the president shall send a written request, in compliance with procedures established by the Office of External Relations, to the Executive Vice Chancellor for Academic or Health Affairs. Except in the case of Less Prominent Facilities or Programs ~~Following review and approval in accordance with the procedures set forth herein and in the procedures established by the Office of External Relations,~~ the institution shall negotiate an ~~a~~ gift agreement with the corporation, using the Standard Corporate Naming Gift/Licensing Agreement prepared by the Office of General Counsel. Any substantive variations to the standard agreement must be approved by the Office of General Counsel. The Executive Vice Chancellor for Academic or Health Affairs shall have authority to sign such ~~gift~~ agreements after appropriate review and approval.

Sec. 9 Namings Approvals Chart

| | Corporate* | Non-Corporate |
|-------------------|------------------|-------------------------|
| Prominent** | Board of Regents | Board of Regents |
| Less Prominent*** | Chancellor | Institutional President |

* In addition to the approvals specified in this chart, all requests for Corporate Naming must be forwarded in writing by the institution's president to the Executive Vice Chancellor for Academic or Health Affairs (as appropriate), the Vice Chancellor for External Relations, and the Office of General Counsel; must be recommended by the Chancellor; and must otherwise comply with specific guidelines relating to Corporate Naming.

** In addition to the approvals specified in this chart, all requests for naming for Prominent Facilities and Programs (as defined in Regents' *Rule*, Series 80307) must be recommended by the Chancellor, the Executive Vice Chancellor for Academic or Health Affairs (as appropriate), and the Vice Chancellor for External Relations, and must comply with procedures established by the Office of External Relations. The Vice Chancellor for External Relations, in consultation with the Executive Vice Chancellor for Academic or Health Affairs (as appropriate), makes final determinations as to which Facilities and Programs are considered Prominent.

*** Any naming for Less Prominent Facilities and Programs shall be based on a set of general guidelines that are reviewed and approved by the Chancellor. The Vice Chancellor for External Relations, in consultation with the Executive Vice Chancellor for Academic or Health Affairs (as appropriate), makes final determinations as to which Facilities and Programs are considered Less Prominent.

BACKGROUND INFORMATION

The proposed amendments to the Regents' *Rules and Regulations*, Series 80307 are recommended by the Vice Chancellor for External Relations and the Vice Chancellor and General Counsel to conform the *Rules* to a workable process for the review and documentation for corporate namings related to less prominent facilities and programs.

A new provision specifies that all approvals are for the duration of 180 days only.

8. U. T. System: Allocation of \$182.2 million of Permanent University Fund Bond Proceeds

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs recommend that the U. T. System Board of Regents approve the allocation of \$182,200,000 of Permanent University Fund (PUF) Bond Proceeds for 13 capital projects listed in Table 1 on Pages 16 - 18.

Detailed Project description sheets are on Pages 18A – 18L.

In addition, the Board will hear a discussion relating to a proposed Drug Development Institute project at U. T. Health Science Center – Houston (Pages 18K – 18L).

BACKGROUND INFORMATION

The total project cost of the 13 capital projects is currently estimated at approximately \$507,600,000. The balance of the project funding will be solidified over the next several months and will be brought back to the Board for i) approval of the total project cost for

each project including identified funding sources and ii) approval of amendments to the FY 2008-2013 Capital Improvement Program. Preliminary project descriptions including fire and life safety projects are listed in Table 1 on Pages 16 - 18.

A forecast of revenues and expenses of the Available University Fund (AUF) for seven years, including the above allocation has been prepared and is reflected as Table 2 on Page 19. The additional appropriation of \$182.2 million of PUF Bond Proceeds is incorporated into the forecast.

As of May 31, 2007, the U. T. System's Constitutional debt capacity for the PUF was \$353 million. The debt capacity is calculated as 20% of the cost value of the PUF endowment less PUF debt outstanding and authorized but unissued as listed in Table 3 on Page 20.

**Table 1
Proposed PUF Project Descriptions**

Priorities for Academic Institutions

(\$ in millions)

| Research (\$M) | Clinical (\$) | Teaching (\$M) | Project Name | Project Type | TPC | Proposed PUF | Project Description |
|----------------|---------------|----------------|--|------------------|---------|---------------------|---|
| \$34.0 | | | UT Arlington Center for Structural Engineering Research | New construction | \$ 34.0 | \$ 25.0 | Plans include three floors, basement, and penthouse of office space and reaction floor research space, totaling 84,500 sq. ft., constructed on donated land. This is one of the campus key research and industry collaboration areas. \$4 million is available in "in-kind" contributions toward the total cost. Project is not on the CIP list yet. |
| | | | Fire and Life Safety Projects | | \$ 11.6 | \$ 4.3 | |
| | | | UT Austin Dell Pediatric Research Institute | New construction | \$ 97.0 | \$ 30.0 | Current CIP indicates total project cost at \$97 million. The facility is the first step in the creation of a biomedical research campus for UT Austin in collaboration with several UT health campuses. Additional \$15 million (AUF) and \$5 million (Faculty STARs) will be proposed for allocation towards faculty start-up operations. |
| \$97.0 | | | Fire and Life Safety Projects | | \$ 7.0 | \$ 2.6 | |
| | | | UT Dallas Arts and Technology Facility | New construction | \$ 81.0 | \$ 45.0 | Signature state-of-the-art research & instructional building for emerging media technology; associated parking, renovation of vacated space and demolition of existing Visual Arts building. Note: Would serve fastest growing undergraduate and graduate program on campus with strong industry demand for graduates. No other source of funding available. Project is not on CIP list yet; total cost and potential phasing remain to be analyzed in detail. Additional project scope includes a match for gift funds for extensive beautification of surrounding campus. |
| | | \$81.0 | Fire and Life Safety Projects | | \$ 60.0 | \$ 50.0 | Health sciences complex located on or contiguous to the main campus & near major health facilities to house health-related programs & activities. Note: Would serve one of UTEP's and the region's fastest growing educational and employment areas. No other source of funding is available. Project is for Phase I construction. |
| | | | Fire and Life Safety Projects | | \$ 1.6 | \$ 0.6 | |
| \$7.7 | \$4.3 | \$48.0 | UT Permian Basin Arts, Convocation, and Classroom Facility | New construction | \$ 66.0 | \$ 3.5 ¹ | Current CIP indicates total project cost at \$51 million. Revised plan is to construct \$66 million performing arts center with classrooms. This facility will also serve as a convocation center for various UTPB functions. A 2,500 seat auditorium will be constructed with parking for 1,500 vehicles. |
| | | \$66.0 | Fire and Life Safety Projects | | \$ 0.9 | \$ 0.4 | |
| | | | UT San Antonio Fire and Life Safety Projects | | \$ 0.9 | \$ 0.4 | |
| | | | Academic Institutions' Proposed Total | | | \$ 161.40 | |

FOOTNOTE

1: This \$3.5 million is in addition to the \$3.0 million previously approved in August 2006.

Table 1
Proposed PUF Project Descriptions

Priorities for Health Institutions

(\$ in millions)

| Research (\$M) | Clinical (\$) | Teaching (\$M) | Project Name | Project Type | Proposed PUF | Project Description |
|----------------|---------------|----------------|---|--------------|-------------------------------|---|
| \$48.1 | \$25.8 | \$48.1 | Health Science Ctr San Antonio School of Medicine Transformation Initiative | Renovation | \$ 122.0 \$ 10.0 | Allocation would assist with, but not cover the entire capital investment portion of the School of Medicine's Transformation Plan. That Plan includes: renovation of research lab space to accommodate the recruitment of the Chair of Medicine; an additional floor to the new ambulatory clinic building; and expansion of Multi-Disciplinary Student Teaching Labs and other classroom teaching venues. Allocation specific to the recruitment of this Chair may be made from STARS. |
| | | | Medical Branch Galveston | | | |
| | | | Fire and Life Safety Projects | | \$ 18.7 \$ 6.9 | |
| | | | Health Science Ctr Houston | | | |
| | | | Fire and Life Safety Projects | | \$ 5.5 \$ 3.0 | |
| | | | Health Institutions' Proposed Total | | \$ 2.3 \$ 0.9 | |
| | | | TOTAL: ACADEMIC and HEALTH PRIORITIES | | \$ 182.20 ² | |
| | | | TOTAL: NET OF FIRE AND LIFE SAFETY | | \$ 163.50 | |

\$186.8
\$30.1
\$243.1

FOOTNOTE

2: Summarization of Fire and Life Safety proposals outlined on page 3.

Recommendations were developed using the principles that:

1. investments should be aligned with the UT System and campus strategic plans
2. investments should be targeted at projects with the potential to make a long-term significant improvement in a distinctive strength of the campus.
3. investments are critical because few, if any other, sources of funding exist
4. investments would be made in just a few bigger projects, not on every eligible campus
5. the recommendations recognize the proposals from other campuses are vital and valid, but that the project and/or campus may not be as ready as those selected.

**Table 1
Proposed PUF Project Descriptions**

Fire & Life Safety Summarization

(\$ in millions)

| | TPC | Proposed PUF |
|--|---------|----------------|
| UT Arlington | | |
| Fire and Life Safety Projects | \$ 11.6 | \$ 4.3 |
| UT Austin | | |
| Fire and Life Safety Projects | \$ 7.0 | \$ 2.6 |
| UT El Paso | | |
| Fire and Life Safety Projects | \$ 1.6 | \$ 0.6 |
| UT San Antonio | | |
| Fire and Life Safety Projects | \$ 0.9 | \$ 0.4 |
| Academic Fire & Life Safety Allocations | | \$ 7.9 |
| Health Science Ctr San Antonio | | |
| Fire and Life Safety Projects | \$ 18.7 | \$ 6.9 |
| Medical Branch Galveston | | |
| Fire and Life Safety Projects | \$ 5.5 | \$ 3.0 |
| Health Science Ctr Houston | | |
| Fire and Life Safety Projects | \$ 2.3 | \$ 0.9 |
| Health Fire & Life Safety Allocations | | \$ 10.8 |

High priority projects include installation of fire alarms, fire sprinkler systems, fire pumps, smoke exhausts, and means of egress. Categories of buildings affected are medical facilities (patient care), high-rise buildings, large assembly occupancies, highly populated academic buildings with lecture auditoriums and large traffic flows, and laboratory or special hazard use buildings.

FY 2007-2008
PUF PRIORITY RECOMMENDATIONS
Project Descriptions

- Project Name: Center for Structural Engineering Research
- Proposed Funding: \$25.0 million PUF / \$9 million gifts, donations, in-kind contributions
- Total Project Cost: \$34.0 million
- Project Description: This project involves construction of a new 84,000 sq.ft. structural engineering research, teaching and learning facility that will house the Center for Structural Engineering Research within the Civil and Environmental Engineering department at U.T. Arlington. This unique facility will be the largest structural/materials testing facility in the U.S. and possibly the world. Faculty and students will design and test properties of various structural materials and assemblies that are essential to the safety and security of the critical infrastructure of our nation, including bridges, roads, buildings, subways, canals, military bases, and the like. The building will include more than 50,000 sq.ft. of reaction floor and research space, and more than 30,000 sq.ft. of office, conference, classroom and support spaces. The office floors will provide space for faculty, graduate students, and post-doctoral fellows.
- Hanson Pipe and Precast Products donated the land (3.245 acre tract) at the corner of I-30 and MacArthur Boulevard in Dallas County valued at more than \$700,000. Hanson has also agreed to donate concrete and other materials for construction, which will be maximized in the construction of the facility.
- Anticipated Impact: This Center will be a nationally and internationally recognized research and education facility in Structural Engineering - one of the few facilities in the world that supports fundamental and innovative research and educational programs that focus on achieving significant advances derived from large-scale structural testing of real structural components comprising concrete, steel, masonry, stone, timber, and synthetic materials. Specific programs will focus on how these structural materials can provide new earthquake and storm resistant structures; structures to resist terrorist attacks; and intelligent infrastructure systems that assess time-dependent performance (smart structures that provide early warning to potential failures), to name a few. This latter point is especially important as most of America's infrastructure is aging and, without warning, on the brink of failure (witness many bridge, building, and pipe failures of late).
- With a facility of this magnitude, opportunities for attracting federal and private industry funding for research in the structures area will be significantly expanded. The identification of new materials for use in structural systems subjected to hazardous and extreme loading conditions has been at the forefront of research agendas for federal funding agencies. For example, the Department of Homeland Security has been supporting an abundance of research projects for critical infrastructures subjected to loads due to blasts, impact, fire, etc. Other funding agencies that support this type of research activity include: National Science Foundation, Department of Defense, Department of Energy, Federal Emergency Management Agency, Federal Highway Administration, Korea Science Foundation, and the Texas Department of Transportation. Owing to its size and unique capabilities, the Center will be able to test large structures, which will attract research funds exceeding \$10.0 million per year.

Impact on U.T. Arlington:

- Establishment of a multitude of new corporate, state, and federal relationships.
- As the only public university Civil Engineering program in the North Texas region, this Center will represent a major presence of U.T. Arlington in Dallas County and further help forge relationships with the DFW community at large.
- The Center will bring national and international recognition to U.T. Arlington through collaborative efforts with research centers and major research universities globally, and through hosting national and international conferences, seminars and workshops.
- The Center will positively impact the college's national/international rankings by being the largest physical structural research center in the U.S., with annual research awards anticipated to exceed \$10 million per year.
- The facility supports a new U.T. Arlington Center of Excellence consistent with its strategic plan and fulfilling its mission as a major teaching and research university.
- The construction industry in Texas and the U.S. is experiencing an all-time high in activity and revenue, and the Center will be positioned to better educate and prepare a larger number of civil engineering students to meet increasing industry demands for a highly trained workforce.

Metrics for Success:¹

- Research funding is anticipated to be \$5 million by the center's fifth year of operation, increasing to \$10 million annually by year ten. Subsequent years could produce \$10 to \$15 million in research funding.
- Enrollment of Engineering Graduates is anticipated to grow from the current 350 to over 500 students within five years. Graduate enrollment (MS/Ph.D.) growth is also anticipated to increase from 159 students to over 400 within the same five year period with a significant number of graduates in Structural Engineering and Construction Engineering.
- Recruitment of top-notch faculty will be heightened through the availability of the Center. Anticipate adding five tenure track faculty specializing in structural engineering over years one through five.
- House nearly thirty research faculty members, visiting scientists and post-doctoral fellows once the Center reaches maturity.
- Propel the U.T. Arlington Civil Engineering Program to a top 25 ranking within ten years.
- Hosting of conferences to include, but not limited to: The American Concrete Institute, The American Concrete Pipe Association, and The American Society of Civil Engineers.

¹ Best estimates based on currently available information.

| | |
|----------------------|---|
| Project Name: | Dell Pediatric Research Institute |
| Proposed Funding: | \$30.0 million PUF / \$15 million AUF / \$5 million STARS |
| Total Project Cost: | \$86.7 million |
| Project Description: | <p>In May 2006, the Michael and Susan Dell Foundation offered a challenge gift of \$38 million towards the construction of the Dell Pediatric Research Institute (DPRI), a 150,000 sq.ft. building for translational research in pediatrics. The pediatric institute is being constructed on the former Robert Mueller Airport site, adjacent to the new Dell Children's Medical Center of Central Texas, and is scheduled to open in December 2008, well in advance of the three year challenge. However, since the announcement, the necessity to accelerate construction ahead of the current fundraising efforts – which produced the matching monies over a four year period – has placed unexpected stress on the financial model. In addition it has also limited the opportunity for fundraising for the costs of recruiting a top-notch founding director of the institute. Total project cost is \$97 million, with \$86 million for construction. The additional \$15 million in AUF funding and \$5 million from Faculty STARS will be proposed for allocation toward faculty start-up operations. As fundraising efforts continue for this state-of-the-art facility, the Michael and Susan Dell Foundation has agreed to allow these proposed monies to be used as the match to their \$38 million to be paid out over the next four years.</p> |
| Anticipated Impact: | <p>This building, when fully occupied, will house approximately 28 principal investigators. It is anticipated that these investigators will generate \$20-\$25 million in new extramural research funding annually. The building is closely linked with the Dell Pediatric Hospital located across from the DPRI. Auditorium and conference rooms provided by the Dell Children's Medical Center will complement the research efforts in the DPRI. Overall, approximately 280 or 300 individuals will work in DPRI, including at least 20 to 25 graduate students, in addition to a number of undergraduate students at U. T. Austin and medical students who wish to participate in biomedical research. Researchers at the institute will have the advantage of collaborating with world-class faculty at U. T. Austin and with outstanding researchers at U.T. System's six health institutions. Investigators in the building will have primary appointments at U. T. Austin, with joint appointments at medical schools depending upon research interest. There are currently 100 clinical faculty in the U. T. Medical Branch at Galveston programs to educate medical students and residents in Austin. A number of this clinical faculty will work with the scientists in the DPRI. It is anticipated that four to six additional major clinical investigators in Pediatric Clinical research will be recruited over the seven-year period required to fully staff the enterprise. Full development of the DPRI can also be expected to facilitate the competitive position of scientists of U. T. Austin, who are seeking funding in biomedical research. Basic scientists in DPRI can also be anticipated to participate in the education of medical students currently enrolled through the U. T. Medical Branch at Galveston.</p> |

U. T. Dallas

- Project Name:** Arts and Technology Facility
- Proposed Funding:** \$45.0 million PUF / \$36 million RFS / Anticipate a large amount of funding from gifts, which will be utilized to reduce bond amount.
- Total Project Cost:** \$81.0 million
- Project Description:** Construction of a new facility consisting of a state-of-the-art research and instruction building for emerging media technology, integrating arts, science, computer science, and engineering in multimedia communications and the collation of creativity and technology. Application areas include computer gaming, visual arts, educational software, entertainment, and many others. This facility will become a showplace, where visitors from across the nation will see the latest innovations in this functional area. Also included in this request are funds to provide for associated parking, renovation of vacated space, extensive landscaping to surrounding campus, and demolition of the existing outdated metal Visual Arts building.
- Anticipated Impact:** This dynamic and innovative program in Arts and Technology (ATEC) requires a major new facility to provide an integrated home for its undergraduate and graduate instructional activities, its wide diversity of funded research programs, and its entrepreneurial economic development initiatives. The program's current facility is woefully inadequate to meet the requirements of this field of study. The ATEC program, a partnership between U. T. Dallas' School of Arts and Humanities and its Erik Jonsson School of Engineering and Computer Science, currently offers instruction leading to the B.A., M.A., and M.F.A. degrees, and has authority to apply, in Fall 2007, for Texas' first Ph.D. degree in this field. It is the first comprehensive degree program in Texas to explore the synergies between computer science, engineering, the creative arts, and the humanities, transcending the traditional boundaries between academic units and disciplines. The next response to student demand in this area will be to apply for a new degree program in Emerging Media and Communications that will focus on new forms of writing and content development for the Internet.
- There is explosive progress worldwide in the development of digital media technology and content, with profound implications for economic growth and for research in educational innovations and behavioral therapies that have immense potential for human benefits. U. T. Dallas' ATEC program has been designed and implemented to produce graduates who have acquired the skills necessary to contribute towards these needs. Since its initiation in 2004, annual undergraduate enrollment has increased from 219 to 605, and at the graduate level, enrollment has grown from 30 to 119. The popularity of the degree program has made it the fourth largest major for incoming freshmen at U. T. Dallas in only three years.
- Keeping pace with the explosive growth in student enrollment is an expanding array of funded research projects, collaborative projects that unite ATEC with other disciplines even beyond its interdisciplinary foundations. The most advanced research projects are funded (current aggregate total of \$640,000) by Department of Defense agencies to develop interactive training games for Troop Cultural Awareness in foreign countries. Additional research projects on training techniques are under development with Lockheed Martin and Raytheon. Other research projects focus on optimizing user interfaces to electronic equipment, sponsored by companies such as Alcatel, Samsung, and Texas Instruments. In totally different domains, ATEC is collaborating with the Dallas Museum of Art, the Trinity Trust, and the U. T. Dallas Center for BrainHealth.

Starting less than four years ago, U. T. Dallas moved with great agility and speed to develop its ATEC program, and was forced to squeeze these new activities into three separate buildings, each designed for other purposes. The present buildings are inefficient both as a consumer of utilities and instructional space. These facilities are ill-suited to the specialized requirements of teaching and research in this field from the beginning, and new enrollment and research activities have grown so much that the simple lack of adequate space is the dominant constraint on further progress. A new facility, designed to accommodate all of the specialized as well as general instructional and research activities of ATEC, will not only provide a significant reduction in U. T. Dallas' overall space deficit but will offer this dynamic new program the quality and quantity of facilities that will allow it to fulfill its promise to become a national leader in one of the cutting-edge fields of education, research, and economic development of the 21st century.

| Metrics for Success: | ATEC projections | |
|-------------------------|-------------------------|--------------------------------|
| | <u>2007</u> | <u>2015²</u> |
| Undergraduate majors | 600 | 1,400 |
| Graduate majors | 120 | 250 |
| Research Assistants | 25 | 75 |
| Faculty (tenure system) | 8 | 15 |
| Faculty (part-time) | 10 | 25 |
| Degree Programs | 3 | 7 |
| Research Awards | \$450,000 | \$1,700,000 |
| Program Ranking | unknown | Top 10 nationally |

² Estimates based on best available information

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|----------------------|---|
| Project Name: | College of Health Sciences Complex |
| Proposed Funding: | \$50.0 million PUF / \$10 million Grants & Gifts |
| Total Project Cost: | \$60.0 million for construction (Phase I) / \$26 million for relocation of current programs (Phase II) |
| Project Description: | Construction of a new health sciences complex to replace the current College of Health Sciences facility, which is small, inefficient, and distant from the main campus. The current facility was built in 1967 by the Sisters of Charity as a dormitory for 200 hospital nursing students. The new complex will house the academic and research programs of the College of Health Sciences, the School of Nursing (current enrollment 2,000 undergraduates, 300 master's and doctoral students), the cooperative UTEP/ U. T. Austin Pharmacy program, the UTEP/Health Science Houston Master's of Public Health program, and other health-related programs and activities. The proposed health sciences complex will be located on or contiguous to the main UTEP campus and near major health facilities. |
| Anticipated Impact: | <p>The proposed facility will greatly improve UTEP's capacity to address enrollment pressures in health sciences and the growing demand for health profession graduates; increase and upgrade space available for health-related research; improve access to main campus facilities and services; strengthen collaboration between faculty in the college of health sciences and other UTEP colleges; and, more generally, accelerate the integration of the college into the heart of the UTEP community. Further, the on-campus location will enable the largely undergraduate student population in the College of Health Sciences to attend classes, receive advising and faculty mentoring, and access university services on the main campus, rather than commute from the current off-campus location.</p> <p>The focus of this facility will be to expand the size and enhance the quality of instructional programs in the health professions, as well as to increase UTEP's research capability in biomedical and health-related areas. Current instructional space is scattered across the UTEP campus in facilities that are not well suited to health profession instruction, and space limitations have stifled externally funded research growth. This proposed new facility will enable UTEP to increase enrollments in all health profession programs and to prepare more health care professionals to meet the needs of this fast-growing region. In an increasingly competitive faculty market, it will also enhance the success in recruiting and retaining the outstanding faculty who will staff expanded educational programs and accelerate the growth of health-related research.</p> <p>The impact this new facility could have on the student population is tremendous. UTEP offers the only baccalaureate and graduate health professions degree programs in the Paso del Norte region. With high entry standards, student demand for these programs has increased significantly during the past several years. For example, applications for the Nursing program have increased 28% over the last three years, with 395 applications received in 2006-2007 and only 189 openings to accommodate them. The graduation rate of health professions students (67% - 85%) and pass rate of UTEP's Nursing graduates on the national licensure exam (98% in 2006-2007) indicate that UTEP is well prepared to increase capacity without jeopardizing program quality. This program ranks 4th among all U.S. colleges and universities in graduating Hispanic health professionals whose bilingual/bicultural skills are in high demand as</p> |

health care organizations seek to provide quality health care to an increasingly Hispanic population in Texas and beyond.

The quality of health care in the Paso del Norte region relies heavily on UTEP's capacity to prepare a broad range of health professions graduates. UTEP has responded to this demand by expanding programs and admitting additional students, and by developing such creative program delivery strategies as online courses and an accelerated B.S. in Nursing program. Investor-owned hospitals in El Paso have stepped up to provide student scholarships and support for faculty recruitment and retention. More than 75% of all UTEP health professions graduates (98% of the nurses) remain in the Paso del Norte region after completing their degrees. The regional demand for graduates continues to grow, and space to accommodate both students and faculty is the single greatest constraint on expanding health professions programs to meet this regional demand. The proposed project will provide the additional space required for expansion of health professions programs, and the proposed on-campus location will ensure greater effectiveness and efficiency in conducting both teaching and research activities in the health sciences.

Metrics for Success³:

UTEP anticipates by 2015:

- External research funding in health sciences will increase by 50%, from the FY 2006 level of \$5.6 million to \$8.4 million in annual research expenditures.
- Enrollment in master's degree programs in the health professions will more than double, from the FY 2007 level of 261 to 591 students.
- Enrollment in doctoral programs in the health professions will increase from the FY 2007 level of 15 students in a single Ph.D. program to 175 students in several Ph.D. and advanced practice programs.
- Enrollment in each of the undergraduate Nursing programs—generic BSN, Fast Track BSN option, and RN to BSN—will increase by 30%, from the FY 2007 level of 938 to 1,220 students.
- The number of degrees awarded annually in health-related disciplines at all levels will increase by more than 50%, from the FY 2007 level of 330 to 500.
- Endowment funding in the College of Health Sciences and in the School of Nursing will double from the FY 2007 level of \$8.7 million to \$17 million.

³ Estimates are based on best available information

U. T. Permian Basin

| | |
|----------------------|--|
| Project Name: | Arts, Convocation, and Classroom Facility |
| Proposed Funding: | \$3.5 million (\$3.0 million previously approved in August 2006) |
| Total Project Cost: | \$66.0 million |
| Project Description: | This request is for construction of a performing arts center with classroom spaces at the Center for Energy and Economic Diversification (CEED). This facility will include a convocation center, a 2500 seat auditorium, and appropriate support spaces to host various performances. Additionally, academic spaces will be added to complement the performance hall and other curricula taught at this location. Parking for at least 1,500 vehicles would also be created at this site. |
| Anticipated Impact: | The location of the Performing Arts Center is ideally suited to encourage the use of such a facility by the Midland and Odessa communities as well as the university. This facility will help to position UTPB in their endeavor to becoming a university for all Texans located in the Midland Odessa metropolitan area. |
| Metrics for Success: | It is expected that this new facility will attract new donors from the communities surrounding the university. The facility will also be a significant attraction to faculty teaching in the arts, and will serve to train undergraduate students in different arts. |

U. T. Health Science Center at San Antonio

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|----------------------|---|
| Project Name: | School of Medicine Transformation Initiative |
| Proposed Funding: | \$10.0 million PUF / Multiple sources, including practice plan reserves, medical liability rebates, Dean's tax, Physician upper-payment limit monies, state funds and philanthropy over a 7 year period |
| Total Project Cost: | \$122.0 million |
| Project Description: | <p>The University of Texas Health Science Center at San Antonio School of Medicine has embarked on an exciting strategic plan aimed at positive, transformative change. The plan is a collaborative endeavor between all levels of leadership, faculty and staff, and consists of an investment of \$130 million in current and new faculty, creation of new, innovative programs in research and education and modernization of 35-year old laboratory space. In the past year, superb leadership has been recruited to the School for the San Antonio Cancer Institute (Dr. Tyler Curiel), the Institute for Health Promotion Research (Dr. Amelie Ramirez), the Department of Anesthesiology (Dr. J. Jeffrey Andrews), the Department of Radiation Oncology (Dr. Chul Ha), the Division of Adult Hematology-Oncology (Dr. Frank Giles), the Division of Pediatric Hematology-Oncology (Dr. Gail Tomlinson) and the Department of Ophthalmology (Dr. Carlos Rosende). A national search is now ongoing for the Chair of the Department of Medicine; 14 semifinalists have interviewed for the position and finalists will be identified shortly. The current PUF request is crucial to the success of the positive momentum now underway in the School. These monies will be used to renovate up to 30,000 sq. ft. of outdated laboratory and needed office space to accommodate new recruits; this space will strongly complement the funds pledged to the programmatic development in new science in the institution.</p> |
| Anticipated Impact: | <p>It is estimated that the faculty investments in the School, coupled with the PUF renovation funds, will result in the creation of between 30 and 40 new science programs, thereby leading to new annual research funding of up to \$20 million (direct costs). Moreover, these new PUF funds are pivotal for the creation of a competitive recruitment package for the new Chair of the Department of Medicine and they will ensure that the forward movement of the academic programs in the School of Medicine is sustained.</p> |

U. T. System – Discussion Item

Project Name: Drug Development Institute

Proposed Funding: \$34.0 million PUF / \$2 million AUF

Project Description: Establishment of an innovative, multi-institutional, and interdisciplinary institute for new drug and biologics development; a potentially high value, low risk, first of a kind, initiative to be carried out by the U. T. System. The Institute would combine proven basic science expertise in the development of new drug and biologics at the Texas Institute of Drug and Diagnostic Development (TI-3D) located at U. T. Austin and the outstanding expertise in clinical trials and drug development at U. T. Health Science Center at Houston and U. T. M. D. Anderson Cancer Center. Under the direction of a to-be recruited Director, this new Institute will seek to take drug discovery from the earliest definition of therapeutic targets to clinical trials, FDA approval, and safety marketing and distribution. The concept of this activity was jointly developed by Dr. C. Thomas Caskey, Director of the Brown Institute of Molecular Medicine at The University of Texas Health Science Center at Houston and Dr. Brent Iverson, Interim Director, TI-3D at The University of Texas at Austin. Support for their efforts has been obtained from the leadership of U. T. Austin, U. T. Health Science Center-Houston, M. D. Anderson Cancer Center, as well as other campuses, through the clinical translational science program funded by NIH at UTHSC-Houston and M. D. Anderson.

The Office of Health Affairs would be responsible for identifying a governing board for the Institute, to include representatives of academic institutions within the U. T. System and outside of the System, as well as community and business leaders. The governing board would be responsible for overall policy and direction of the Institute. With the concurrence of the Presidents of UTHSC-Houston, M. D. Anderson and U. T. Austin, a Director would be appointed for the Institute who reports to the governing board. It is also anticipated that the governing board and an additional advisory board would include representatives of pharmaceutical companies and venture capitalists who would provide technical advice to the Director.

The Institute would have two sites, one on the campus at U. T. Austin for which \$10.5 million is requested for completion of 30,000 gsf. of research space and acquisition of \$1.5 million of equipment, and a Houston site with 30,000 gsf. would be completed at a cost of \$9 million and \$15 million of equipment. With the exception of initial startup funds made available to the Director, operating monies for the Institute will be generated from grants, contracts and cooperative agreements with industry.

Anticipated Impact: Faculty at the Austin site would largely consist of full-time U. T. Austin faculty, although a significant number of visiting professors from other institutions would participate from time-to-time in those activities. Faculty in Houston would include those from the UTHSC-Houston, M. D. Anderson and potentially involve all of the other health campuses in the U. T. System, Rice University, University of Houston, Texas A&M University and other interested parties. It is also anticipated that relationships will develop with local and national pharmaceutical companies and that programs at the Institute would be favorable for developing applications to the Texas Emerging Technology Fund.

The Institute Director would be housed at the Houston facility. His/her recruitment would require approximately \$2 million in AUF and would be eligible for STARs funding support. The Director would be responsible for coordinating efforts between

the two sites, facilitating joint research proposals to federal funding agencies and relationships with industry, and providing seed grants to stimulate new initiatives. MD Anderson has extensive successful experience in Phase One drug trials of cancer drugs and would be a critically important resource in the expansion of Phase One trials for these purposes. The participants also have an expertise in organizing and negotiating arrangements for Phase Two and in some cases potentially Phase Three trials.

The Institute is a prototype of a U. T. System activity which will actively invite multiple institutions within the U. T. System, and outside institutions, to interact with the Institute. It provides a unique opportunity for proof of concept, that a drug or biologic can be developed through the expertise of the University faculty and industrial partners. It provides an opportunity to use Available University Funds toward operation of the startup of such an institute, and it provides a different kind of model for governance of such an activity with multiple institutional expertise and interest available in the governance process. The Director of the Institute would be required to make an annual report transmitted from the Governing Board to the U. T. System Office of Health Affairs and to the U. T. System Board of Regents for monitoring of performance.

The high value aspect of this proposal arises out of the potential impact upon developing leadership in drug and biologics development in Texas, where this effort is very limited and clearly underdeveloped. The risks are low since the commitment of space and equipment, as well as the structure of the organization can be easily adapted to other purposes if this becomes appropriate at some future time. The presence of a very strong faculty experience in all aspects of drug development offers a unique opportunity for this innovative effort.

Metrics for success:

- Incremental research funding,
- Number and size of new academic-industrial relationships,
- Number of drugs or biologics which enter into the various phases of development, and
- Ultimately how many drugs or agents are commercialized for diagnostic or therapeutic purposes.

Table 2
Available University Fund Pro Forma

| | Actual FY 06 | Projected | | | | | | | | | |
|----------------------------------|-----------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | FY 07 | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | | | |
| Additional PUF Debt Capacity | | | \$244.8 | \$130.0 | \$130.0 | \$130.0 | \$130.0 | \$130.0 | \$130.0 | \$130.0 | \$130.0 |
| Cumulative PUF Debt Capacity | | | \$244.8 | \$374.8 | \$504.8 | \$634.8 | \$764.8 | \$894.8 | | | |
| PUF Distribution Amount | \$357.3 | \$400.7 | \$448.9 | \$502.0 | \$548.7 | \$587.6 | \$617.2 | \$646.8 | | | |
| Surface & Other Income | 11.4 | 12.0 | 11.0 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | | | |
| Divisible Income | 368.8 | 412.7 | 460.0 | 513.1 | 559.8 | 598.7 | 628.3 | 657.9 | | | |
| UT System Share (2/3) | 245.9 | 275.1 | 306.7 | 342.1 | 373.2 | 399.1 | 418.9 | 438.6 | | | |
| AUF Interest Income | 9.8 | 11.0 | 10.1 | 8.1 | 7.3 | 6.9 | 7.5 | 8.0 | | | |
| Income Available to U.T. | 255.7 | 286.1 | 316.8 | 350.2 | 380.5 | 406.0 | 426.4 | 446.6 | | | |
| TRANSFERS: | | | | | | | | | | | |
| UT Austin Excellence Funds (45%) | (111.4) | (126.5) | (142.5) | (157.6) | (171.2) | (182.7) | (191.9) | (201.0) | | | |
| PUF Debt Service * | (90.6) | (92.2) | (130.1) | (178.4) | (196.3) | (175.5) | (187.5) | (199.7) | | | |
| System Administration | (29.7) | (32.0) | (34.2) | (36.0) | (37.8) | (39.6) | (41.6) | (43.7) | | | |
| Other | (1.1) | (22.9) | (1.1) | (1.1) | (1.1) | (1.1) | (1.1) | (1.1) | | | |
| Net Surplus/(Deficit) | 22.9 | 12.5 | 8.8 | (22.8) | (25.8) | 7.1 | 4.3 | 1.2 | | | |
| Ending AUF Balance - System | 92.6 | 105.2 | 113.9 | 91.1 | 65.3 | 72.4 | 76.7 | 77.8 | | | |
| PUF Debt Service Coverage | 2.82:1 | 3.10:1 | 2.43:1 | 1.96:1 | 1.94:1 | 2.31:1 | 2.27:1 | 2.24:1 | | | |

* Forecast includes all PUF debt currently authorized by the Board of Regents plus an additional \$50 million assumed annually to fund library, equipment, repair and rehabilitation (LERR)/STARS projects for FY09 and beyond. Forecast assumes that the \$244.8 million of PUF debt proposed in August 2007 (\$182.2 million for capital projects + \$37.58 million LERR + \$20 million STARS + \$5 million Dell PRI STARS) is issued during FY 2008.

Table 3
Constitutional PUF Debt Capacity

| | |
|---|-------------------|
| PUF Book Value as of May 31, 2007 | \$ 10,143,080,673 |
| U. T. Constitutional Debt Limit (20% of PUF Book Value) | 2,028,616,135 |
| U.T. PUF Debt Outstanding as of May 31, 2007 | (1,104,245,000) |
| Less: U.T. PUF Debt Approved but Unissued | (649,032,184) |
| Plus: Unexpended PUF Proceeds at 5/31/07 | <u>77,728,647</u> |
| Remaining Constitutional U.T. PUF Debt Capacity | \$ 353,067,598 |

9. **U. T. System: Adoption of the six-year Capital Improvement Program (CIP) for Fiscal Years 2008-2013; approval of the Capital Budget for Fiscal Year 2008-2009; redesignation of previously approved projects in the CIP; reduction of previously appropriated funds for repair and rehabilitation projects deleted or decreased in scope; appropriation of additional funds for previously approved projects with increased total project costs; appropriation of funds for new repair and rehabilitation projects initiated in the Capital Budget; approval of the use of Revenue Financing System parity debt for repair and rehabilitation projects initiated in the Capital Budget for which Revenue Financing System Bonds are identified as a funding source, and resolution regarding parity debt; consideration of possible designation of new and existing projects as architecturally or historically significant; approval of additional appropriation and authorization of expenditure for three previously approved projects**

RECOMMENDATION

The Chancellor concurs in the recommendation of 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

- a. adopt the U. T. System Capital Improvement Program for Fiscal Years 2008-2013 as set forth in the Summary of Projects (Attachment 1 on Pages 24 - 34);
- b. approve the Capital Budget for Fiscal Year 2008-2009 as set forth in the Summary of Projects (Attachment 1 on Pages 24 - 34);
- c. approve the redesignation of projects previously approved in the CIP as set forth in Attachment 2 on Page 35;
- d. reduce previously appropriated funds in an aggregate amount of \$38,360,000 for repair and rehabilitation projects deleted or decreased in scope in the FY 2008-2009 Capital Budget as reflected in the Deleted or Reduced Appropriations column in Attachment 3 on Pages 36 - 39;
- e. appropriate new or additional funding with increased total project costs for previously approved repair and rehabilitation projects in an aggregate amount of \$47,000,000 as reflected in the FY 2008-2009 Capital Budget as set forth in the New or Additional Appropriations column in Attachment 3 on Pages 36 - 39;
- f. appropriate funding in an aggregate amount of \$525,241,000 for new repair and rehabilitation projects initiated in the FY 2008-2009 Capital Budget as reflected in the Appropriations for Projects Initiated in the Capital Budget column in Attachment 3 on Pages 36 - 39;

- g. appropriate additional funding from Revenue Financing System Bond Proceeds for previously approved projects in an aggregate amount of \$4,100,000 for the Expansion to Parking Lot 12 project at U. T. San Antonio and Basic Science Renovation project and Library Facilities Upgrade project at U. T. Medical Branch - Galveston in Attachment 4 on Page 40;
- h. approve the use of \$21,900,000 Revenue Financing System Parity Debt for certain construction and repair and rehabilitation projects in the FY 2008-2009 Capital Budget for which Revenue Financing System Bond Proceeds have been identified as all or a portion of the funding for the U. T. System institutions as set forth in Attachment 4 on Page 40;
- i. approve the recommendation that proposed new and existing projects have been reviewed, and that the Battle Hall Complex, Renovation project and the Littlefield Home and Carriage House Renovations project at U. T. Austin have been determined as historically significant;
- j. appropriate funding and authorize expenditure of \$1,570,000 from Gifts to Grants for the Galveston National Laboratory project at U. T. Medical Branch - Galveston as set forth in Attachment 5 on Page 41; and
- k. appropriate additional funding and authorize expenditure of \$34,500,000 and \$22,200,000 from Hospital Revenues for the Smithville Facility Strategic Plan project and the T. Boone Pickens Academic Tower project at U. T. M. D. Anderson Cancer Center, respectively, as set forth in Attachment 5 on Page 41.

BACKGROUND INFORMATION

The CIP is a six-year projection of major repair and rehabilitation and new construction projects to be implemented and funded from institutions and U. T. System-wide revenue sources. Projects included in the CIP correspond to the highest priority needs identified in the long-range strategic planning process and institutional capital renewal plans as determined by the Facilities Renewal Model presented to the Facilities Planning and Construction Committee of the U. T. System Board of Regents on July 1, 2002. Future projects listed in the CIP are for consideration when funding has been secured.

Adoption of the CIP authorizes U. T. System Administration and the institutional administration to expend up to 3% of the preliminary project cost to develop the formal Project Building Program document, select the Project Architect, and develop preliminary project plans. These funds will be appropriated by the institution initially but may be reimbursed from project funds after design development approval and appropriation of project funds by the U. T. System Board of Regents.

The Capital Budget is the first two years of the six-year CIP. Approval of the Capital Budget authorizes and appropriates funding amounts and sources for identified major repair and rehabilitation projects that are not architecturally or historically significant. Authorization of these projects and appropriation of these funds allow these projects to be presented to the Associate Vice Chancellor for Facilities Planning and Construction for design development plan approval and authorization for expenditure of funds and subsequent execution of the project by the administrative staff without returning to the U. T. System Board of Regents for further approvals. The U. T. System Board of Regents approves the design development plans for all major projects other than repair and rehabilitation projects that are not architecturally or historically significant.

The redesignation of projects in the CIP has been requested by the institutions to more accurately reflect the work to be accomplished.

The proposed CIP will be the subject of a presentation by Executive Vice Chancellor for Business Affairs Scott C. Kelley on August 23, 2007. The presentation will identify the economic impact of the proposed projects.

Supplemental Materials: Mr. O'Donnell's PowerPoint on Pages 1 - 6
President Mendelsohn's PowerPoint on Pages 6.1 – 6.7

**The University of Texas System
 FY 2008-2013 Capital Improvement Program
 Major Construction Projects Summary**

Attachment 1

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|--|------------------------------|-------------------------------------|
| <u>Academic Institutions</u> | | |
| <u>The University of Texas at Arlington</u> | | |
| <i>Institutionally Managed</i> | | |
| Arlington Regional Data Center Electrical Upgrade | \$ 2,800,000 | 2,560,457 |
| Civil Engineering Lab Building | 5,400,000 | 4,948,057 |
| Energy Performance Contract | 18,000,000 | 8,682,936 |
| Subtotal Inst Mgd | \$ 26,200,000 | 16,191,450 |
| <i>OFPC Managed</i> | | |
| Engineering Research Complex | \$ 125,430,000 | 23,124,434 |
| Maverick Activities Center | 34,500,000 | 14,702,308 |
| Subtotal OFPC Mgd | \$ 159,930,000 | 37,826,742 |
| Subtotal U. T. Arlington | \$ 186,130,000 | 54,018,192 |
| <u>The University of Texas at Austin</u> | | |
| <i>Institutionally Managed</i> | | |
| Chilling Station Replacement | \$ 40,900,000 | 33,614,940 |
| Energy Efficiency and Conservation - Phase I | 17,500,000 | 13,862,404 |
| Painter Hall - Mechanical System Upgrades/Space Renovation | 6,300,000 | 0 |
| Patterson Hall Laboratory and Life Safety Renovations | 4,725,000 | 2,324,700 |
| Regional Data Center Study | 500,000 | 0 |
| Utility Infrastructure Projects - Phase II | 49,500,000 | 31,741,825 |
| Subtotal Inst Mgd | \$ 119,425,000 | 81,543,869 |
| <i>OFPC Managed</i> | | |
| Art Building and Museum Renovation | \$ 3,500,000 | 2,391,188 |
| AT&T Executive Education and Conference Center | 131,300,000 | 79,308,921 |
| Battle Hall Complex, Renovation | 15,000,000 | 325,940 |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|--|------------------------------|-------------------------------------|
| Biomedical Engineering Building | \$ 57,100,000 | 33,990,310 |
| College of Communication Building-New | 45,000,000 | 10,572,599 |
| Darrell K Royal - Texas Memorial Stadium Expansion | 176,537,000 | 59,067,782 |
| Dell Computer Science Hall | 67,000,000 | 7,857,172 |
| Elementary Charter School Permanent Facility | 19,000,000 | 14,958,350 |
| Experimental Science Building / Vivarium / Phase 1 – Robert A. Welch H | 175,000,000 | 46,757,310 |
| Garrison Hall Renovations | 11,440,000 | 4,424,142 |
| Geology Building Addition | 500,000 | 42,234 |
| H. J. Lutcher-Stark Center for Physical Culture and Sports | 5,500,000 | 5,012,597 |
| Hogg Auditorium Renovation | 15,000,000 | 5,113,750 |
| Jack S. Blanton Museum of Art - Phase I and II | 88,500,000 | 21,571,207 |
| LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations | 47,250,000 | 33,416,941 |
| Library and Artifact High-Density Repository | 3,550,000 | 3,230,646 |
| Littlefield Home and Carriage House Renovations | 15,000,000 | 1,499,068 |
| Marine Science Institute Wetlands Education Center | 5,000,000 | 338,346 |
| Performing Arts Center Infrastructure Upgrades - Phase I and II | 14,700,000 | 12,195,000 |
| Phase 2 - Robert A. Welch Hall | 25,000,000 | 6,148,358 |
| Renovation of John W. Hargis Hall with Visitor Center | 3,500,000 | 3,053,508 |
| Renovations to UFCU Disch-Falk Field | 26,500,000 | 13,336,719 |
| Research Office Complex | 34,694,000 | 3,709,389 |
| San Antonio Garage Additional Parking Levels | 8,500,000 | 7,351,557 |
| School of Nursing Addition | 4,000,000 | 3,647,505 |
| Speedway Mall North of 21st Street and East Mall/East Mall Fountain, P | 12,000,000 | 10,483,956 |
| Student Activity Center | 44,000,000 | 9,946,447 |
| The Dell Pediatric Research Institute, The University of Texas at Aus | 97,000,000 | 74,189,576 |
| UT Administration Building Renovations | 33,000,000 | 0 |
| | \$ 1,184,071,000 | 473,940,518 |
| | \$ 1,303,496,000 | 555,484,387 |

Subtotal OFPC Mgd

Subtotal U. T. Austin

The University of Texas at Brownsville

OFPC Managed

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|--|------------------------------|-------------------------------------|
| Science and Technology Learning Center | \$ 33,800,000 | 7,290,313 |
| The Village at Fort Brown - Phase II | 17,000,000 | 12,935,727 |
| Subtotal OFPC Mgd | \$ 50,800,000 | 20,226,040 |
| Subtotal U. T. Brownsville | \$ 50,800,000 | 20,226,040 |

The University of Texas at Dallas

Institutionally Managed

| | | |
|--|----------------------|------------------|
| Campus Fire and Life Safety Improvements and Campus Infrastructure Upg | \$ 7,726,000 | 4,123,273 |
| Major Renovation and Repair Projects | 2,408,000 | 0 |
| Service Compound | 5,132,000 | 131,966 |
| Waterview Science and Technology Center | 2,950,000 | 611,430 |
| Subtotal Inst Mgd | \$ 18,216,000 | 4,866,669 |

OFPC Managed

| | | |
|--|-----------------------|-------------------|
| Campus Landscape Enhancement Project | \$ 10,000,000 | 9,133,493 |
| Center for Brain Health Second Floor Renovation | 5,000,000 | 4,119,230 |
| Founders Renovation | 27,793,750 | 12,443,048 |
| Frances and Mildred Goad Building | 15,317,500 | 0 |
| Math, Science and Engineering Teaching-Learning Center | 27,000,000 | 8,243,021 |
| Natural Science and Engineering Research Laboratory | 85,000,000 | 0 |
| Power Distribution Upgrade Study | 175,000 | 111,382 |
| Student Housing Living/Learning Center | 37,800,000 | 27,064,037 |
| Student Services Building | 27,500,000 | 11,018,140 |
| Vivarium and Experimental Space | 15,000,000 | 12,871,782 |
| Subtotal OFPC Mgd | \$ 250,586,250 | 85,004,133 |
| Subtotal U. T. Dallas | \$ 268,802,250 | 89,870,802 |

The University of Texas at El Paso

Institutionally Managed

| | | |
|---|---------------------|------------------|
| Build out of the Upper Floors of Kelly Hall | \$ 2,400,000 | 1,978,686 |
| Union West Renovations - 2nd Floor | 1,000,000 | 904,771 |
| Subtotal Inst Mgd | \$ 3,400,000 | 2,883,457 |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|--|------------------------------------|-------------------------------------|
| OFPC Managed | | |
| Bioscience Research Building | \$ 41,500,000 | 33,515,400 |
| Physical Sciences / Engineering Core Facility | 83,800,000 | 32,242,038 |
| Science and Engineering Core Facilities Upgrade | 28,000,000 | 4,521,702 |
| Swimming and Fitness Center-Phase II | 32,000,000 | 3,533,617 |
| The Paul Foster and Jeff Stevens Basketball Complex | 13,000,000 | 11,259,947 |
| University Bookstore | 5,900,000 | 5,016,000 |
| | Subtotal OFPC Mgd | 90,088,704 |
| | Subtotal U. T. El Paso | 92,972,161 |
| | | |
| <u>The University of Texas - Pan American</u> | | |
| <i>Institutionally Managed</i> | | |
| New Chiller | \$ 1,200,000 | 321,465 |
| Old Computer Center Renovation | 2,000,000 | 1,835,484 |
| Student Health Clinic | 1,500,000 | 222,561 |
| | Subtotal Inst Mgd | 2,379,510 |
| | | |
| OFPC Managed | | |
| Business Administration Addition and Renovation | \$ 15,500,000 | 3,467,062 |
| Fine Arts Academic and Performance Complex | 49,745,000 | 18,348,468 |
| Research Facility | 16,400,000 | 5,679,845 |
| Starr County Upper Level Center | 7,500,000 | 5,377,988 |
| Wellness and Recreation Sports Complex | 25,687,153 | 5,590,733 |
| | Subtotal OFPC Mgd | 38,464,096 |
| | Subtotal U. T. Pan American | 40,843,606 |
| | | |
| <u>The University of Texas of the Permian Basin</u> | | |
| OFPC Managed | | |
| Science and Technology Complex | \$ 56,000,000 | 24,767,731 |
| Student Housing Phase IV | 6,160,000 | 1,347,733 |
| Student Multipurpose Center | 12,000,000 | 2,420,952 |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|---|------------------------------|-------------------------------------|
| The Wagner Noel Performing Arts Center | \$ 66,000,000 | 16,531,490 |
| | \$ 140,160,000 | 45,067,906 |
| Subtotal OFPC Mgd | | |
| Subtotal U. T. Permian Basin | \$ 140,160,000 | 45,067,906 |
| | | |
| The University of Texas at San Antonio | | |
| <i>Institutionally Managed</i> | | |
| Campus Roadway and Parking Improvements | \$ 4,510,000 | 1,451,400 |
| Expansion to Parking Lot 12 | 2,000,000 | 1,692,000 |
| Monterey Building Renovations | 2,700,000 | 1,047,794 |
| Renovation of Physical Plant Building | 3,436,000 | 2,388,280 |
| Surface Parking - West Campus | 2,600,000 | 2,368,344 |
| | \$ 15,246,000 | 8,947,818 |
| Subtotal Inst Mgd | | |
| OFPC Managed | | |
| Combined Science Facility Renovations - 1604 Campus | \$ 22,500,000 | 16,740,219 |
| Engineering Building, Phase II | 82,500,000 | 55,295,407 |
| Laurel Village at UTSA | 44,182,000 | 32,300,625 |
| Recreation and Wellness Facilities, Phase II | 45,700,000 | 18,038,232 |
| Thermal Energy Plant No. 2/Garage | 30,025,000 | 18,105,527 |
| University Center Expansion, Phase III | 33,300,000 | 25,429,522 |
| | \$ 258,207,000 | 165,909,532 |
| Subtotal OFPC Mgd | | |
| Subtotal U. T. San Antonio | \$ 273,453,000 | 174,857,350 |
| | | |
| The University of Texas at Tyler | | |
| <i>OFPC Managed</i> | | |
| Bill Ratliff Engineering and Science Complex | \$ 34,850,000 | 0 |
| Completion/Renovation /Expansion for Engineering and Sciences | 49,300,000 | 37,652,932 |
| Mr. and Mrs. Joseph Z. Ornelas Residence Hall | 16,884,000 | 0 |
| Palestine Campus Expansion | 7,000,000 | 5,629,354 |
| University Center Renovation/Expansion (Phase I) | 15,300,000 | 11,611,241 |
| | \$ 123,334,000 | 54,893,527 |
| Subtotal OFPC Mgd | | |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|------------------------------------|------------------------------|-------------------------------------|
| Subtotal U. T. Tyler | \$ 123,334,000 | 54,893,527 |
| Total Academic Institutions | \$ 2,673,307,403 | 1,128,233,971 |

Health Institutions

The University of Texas Southwestern Medical Center at Dallas

Institutionally Managed

| | | |
|--------------------------------------|----------------------|-------------------|
| Biotechnology Development Complex | \$ 46,100,000 | 40,327,479 |
| Central Pathology Laboratory | 4,000,000 | 3,534,634 |
| Clements Building Finish-Out | 14,600,000 | 12,901,415 |
| Expand Physical Plant Department | 3,330,000 | 2,953,188 |
| North Campus High Voltage Substation | 8,500,000 | 206,457 |
| South Campus Utility Improvements | 13,635,000 | 11,044,350 |
| Subtotal Inst Mgd | \$ 90,165,000 | 70,967,523 |

OFPC Managed

| | | |
|--|----------------------|-------------------|
| Hazardous Waste Handling Facility | \$ 3,900,000 | 2,173,282 |
| Laboratory Research and Support Building | 36,600,000 | 20,553,695 |
| Subtotal OFPC Mgd | \$ 40,500,000 | 22,726,977 |

OFPC Monitored

| | | |
|---|-----------------------|--------------------|
| Biotechnology Development Complex Phase 2 | \$ 55,320,000 | 302,234 |
| Clinical Campus Phase 2 | 360,000,000 | 26,661,386 |
| North Campus Phase 5 | 156,000,000 | 45,625,254 |
| Outpatient Building Finish-Out | 68,600,000 | 185,684 |
| Subtotal OFPC Mon | \$ 639,920,000 | 72,774,558 |
| Subtotal U. T. S. M.C. Dallas | \$ 770,585,000 | 166,469,058 |

The University of Texas Medical Branch at Galveston

Institutionally Managed

| | | |
|--------------------------|--------------|---------|
| Basic Science Renovation | \$ 8,600,000 | 231,631 |
|--------------------------|--------------|---------|

FY 2008-2009

GIP

Project Cost
Total

Proj. Exp.
Total

| | | |
|--|-----------------------|-------------------|
| Blocker Burn Unit Renovation | \$ 6,000,000 | 5,365,714 |
| Diagnostic Imaging, Equipment and Infrastructure | 60,000,000 | 7,792,053 |
| Labor and Delivery Renovation | 8,000,000 | 7,154,286 |
| Linear Accelerator Replacement | 5,000,000 | 2,122,536 |
| Rebecca Sealy Hospital Renovation | 9,850,000 | 8,095,530 |
| Sprinkler System Installation for Patient Care Areas | 5,000,000 | 4,600,000 |
| TDCJ Hospital Cladding and Security Systems | 10,400,000 | 1,452,598 |
| Utility Production Equipment | 15,000,000 | 1,107,143 |
| | \$ 127,850,000 | 37,921,491 |

OFFPC Managed

| | | |
|--|-----------------------|--------------------|
| 1108 Strand Renovation | \$ 9,800,000 | 32,566 |
| Galveston National Laboratory | 173,671,123 | 82,105,794 |
| Jennie Sealy Hospital Replacement | 250,000,000 | 10,606,459 |
| Library Facilities Upgrade | 8,900,000 | 314,830 |
| Research Facilities Expansion | 77,180,000 | 62,759,526 |
| Specialty Care Center at Victory Lakes | 35,000,000 | 3,929,566 |
| Student Housing | 10,000,000 | 1,307,071 |
| | \$ 564,551,123 | 161,055,812 |
| | \$ 692,401,123 | 198,977,303 |

Subtotal Inst Mgd
Subtotal OFPC Mgd
Subtotal U. T. M.B. Galveston

The University of Texas Health Science Center at Houston

Institutionally Managed

| | | |
|--|----------------------|------------------|
| Expansion of RAHC Public Health Satellite | \$ 4,200,000 | 2,733,051 |
| Expansion of School of Health Information Sciences | 3,000,000 | 1,476,000 |
| Repair of the Medical School Building, Phase I | 60,808,102 | 0 |
| | \$ 68,008,102 | 4,209,051 |

OFFPC Managed

| | | |
|--|--------------|------------|
| Campus Parking Garage, Phase I, South Campus | \$ 7,500,000 | 4,293,750 |
| Fayez S. Sarofim Research Building | 112,170,000 | 0 |
| Replacement Research Facility | 80,530,000 | 0 |
| UT Research Park Complex | 161,500,000 | 53,907,891 |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|-------------------------------|------------------------------|-------------------------------------|
| Subtotal OFPC Mgd | \$ 361,700,000 | 58,201,641 |
| Subtotal U. T. H.S.C. Houston | \$ 429,708,102 | 62,410,692 |

The University of Texas Health Science Center at San Antonio

Institutionally Managed

Medical School Sprinkler Installation
MEP Upgrades, Phase I

| | | |
|----|------------------|------------------|
| \$ | 3,200,000 | 2,747,774 |
| | 1,922,029 | 0 |
| \$ | 5,122,029 | 2,747,774 |

Subtotal Inst Mgd

OFPC Managed

Academic and Clinical Research Building
Academic Building
Cyclotron Addition
Emergency, Fire and Safety Initiative, Phase I
Medical Arts and Research Center
South Texas Research Facility

| | | |
|----|-------------|------------|
| \$ | 25,433,000 | 7,537,416 |
| | 12,700,000 | 4,612,105 |
| | 4,400,000 | 2,865,432 |
| | 8,900,000 | 4,623,993 |
| | 95,000,000 | 75,723,044 |
| | 150,000,000 | 29,121,595 |

Subtotal OFPC Mgd

| | | |
|----|--------------------|--------------------|
| \$ | 296,433,000 | 124,483,585 |
| \$ | 301,555,029 | 127,231,359 |

Subtotal U. T. H.S.C. San Antonio

The University of Texas M. D. Anderson Cancer Center

Institutionally Managed

Administrative Support Building - Phase 1
Administrative Support Building - Phase 2
Administrative Support Building - Phase 3
Alkek Expansion
Alkek Expansion - Renovations to Existing Facility
American Disabilities Act Upgrades
Backfill Phase III
Basic Science Research Building Two
Bastrop Facility Strategic Plan
Bastrop Facility Strategic Plan Phase 2
BF/BRB Infrastructure Repairs Beyond 2011

| | | |
|----|-------------|------------|
| \$ | 194,695,000 | 43,712,150 |
| | 30,976,000 | 2,542,486 |
| | 20,031,000 | 185,920 |
| | 293,200,000 | 59,251,806 |
| | 68,000,000 | 0 |
| | 18,400,000 | 7,556,837 |
| | 91,600,000 | 21,420,308 |
| | 254,800,000 | 0 |
| | 50,000,000 | 33,936,170 |
| | 20,000,000 | 1,551,457 |
| | 10,000,000 | 0 |

FY 2008-2009

CIP

Project Cost
Total

Proj. Exp.
Total

| | Project Cost Total | Proj. Exp. Total |
|--|-----------------------|---------------------|
| Braeswood Parking Garage | \$ 43,500,000 | 33,930,000 |
| Center for Advanced Biomedical Imaging Research (Buildout) | 44,060,000 | 18,290,698 |
| Center for Advanced Biomedical Imaging Research Building | 88,000,000 | 54,503,808 |
| Center for Targeted Therapy Research Building | 95,400,000 | 26,660,883 |
| CRR Renovation Budget FY2008-2009 | 14,290,000 | 6,980,342 |
| Data Center Expansion | 20,000,000 | 2,074,033 |
| Demolish OST Buildings | 4,000,000 | 136,370 |
| Diagnostic and Treatment Building | 190,030,000 | 14,189,550 |
| Energy Management Projects Phase II | 15,500,000 | 4,650,074 |
| Extended Stay Motel | 10,000,000 | 1,614,894 |
| Exterior Cladding Main Campus | 7,700,000 | 1,515,899 |
| Future Emergency Management Projects | 20,000,000 | 2,378,217 |
| Garage 10 Expansion | 30,900,000 | 3,126,189 |
| Garage 5 Demolition | 1,000,000 | 769,774 |
| Guhn Road Data Center Renovation | 5,000,000 | 4,376,190 |
| HMB Demolition and Infrastructure | 10,000,000 | 4,024,444 |
| Legacy North Building | 300,000,000 | 2,073,879 |
| Main Building Utility Plan - Phase 2 | 20,000,000 | 177,876 |
| Main Building Utility Plan - Phase I | 6,750,000 | 840,959 |
| Main Campus Hazardous Waste Storage Facility | 3,240,000 | 1,679,025 |
| Materials Management | 11,276,000 | 2,110,592 |
| Mid Campus Parking Facility | 32,500,000 | 7,837,253 |
| Mid-Campus Infrastructure | 16,600,000 | 14,832,811 |
| MSI Building Demolition | 2,500,000 | 0 |
| Pawnee Infrastructure Development | 4,000,000 | 2,072,872 |
| Pawnee Warehouse #2 | 5,000,000 | 673,237 |
| People Mover | 80,000,000 | 8,499,009 |
| Pressler Garage One Expansion | 5,200,000 | 0 |
| Pressler No. 2 Garage | 16,700,000 | 0 |
| Redevelopment - Phase I | 56,000,000 | 13,918,270 |
| Redevelopment - Phase II | 53,300,000 | 0 |
| Research Lab Renovations | 25,000,000 | 7,429,392 |

FY 2008-2009

CIP
Project Cost
Total

| | Proj. Exp. Total |
|---|---------------------|
| Research Recruitment Renovations | 1,108,974 |
| RHI Renovations and Repairs | 2,606,146 |
| ROC Replacement | 5,526,795 |
| Roof Replacement Program - Bates Freeman, AC, New Clark, Gimbel | 0 |
| Rotary House International Phase III | 16,697,294 |
| Satellite Facilities | 3,415,212 |
| Smithville Facility Strategic Plan | 17,945,840 |
| South Campus Hazardous Waste and Chemical Storage Facilities | 467,250 |
| South Campus Parking Garage 2 | 7,921,381 |
| South Campus Parking Garage 3 | 1,808,696 |
| South Campus Research and Technical Support Center | 24,114,624 |
| South Campus Vivarium Facility | 32,520,097 |
| South Campus Vivarium Imaging Facility | 3,680,000 |
| SRB Exhaust Fans | 781,482 |
| T. Boone Pickens Academic Tower | 92,842,937 |
| Transfusion Medicine Relocation | 2,941,967 |
| UTRP Central Utility Plant 2 | 9,666,831 |
| UTRP Electric Reliability | 2,112,121 |
| UTRP Utilities and Maintenance Facilities - Phase 2 | 3,418,750 |
| UTRP Utilities and Maintenance Facilities - Phase I | 14,460,927 |
| | 655,560,998 |
| | 655,560,998 |

Subtotal Inst Mgd
Subtotal U. T. M. D. A.C.C.

The University of Texas Health Center at Tyler

Institutionally Managed

| | |
|---|----------------|
| Campus Electrical Distribution System Upgrade and Expansion | 860,823 |
| Subtotal Inst Mgd | 860,823 |

OFPC Managed

| | |
|--------------------------|------------------|
| Academic Center | 6,098,164 |
| Subtotal OFPC Mgd | 6,098,164 |

| | CIP Project Cost Total | FY 2008-2009 Proj. Exp. Total |
|---------------------------|------------------------------|-------------------------------------|
| Subtotal U. T. H.C. Tyler | \$ 24,071,000 | 6,958,987 |

Total Health Institutions \$ 5,101,180,254 1,217,608,397

Total Major Construction Projects \$ 7,774,487,657 2,345,842,368

THE UNIVERSITY OF TEXAS SYSTEM
 FY 2008-2013 Capital Improvement Program

Attachment 2

PROJECTS REDESIGNATED IN THIS CIP

| <u>Institution</u> | <u>Previously Approved Project Name</u> | <u>Redesignated Project Name</u> |
|-------------------------|---|---|
| <u>UT Arlington</u> | Engineering Lab Building Addition, Engineering Research Building, and Expansion of Engineering Research Building combined | Engineering Research Complex |
| <u>UT Austin</u> | LBJ Plaza Renovation/Lady Bird Johnson Centre | LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovation |
| | 1616 Guadalupe Regional Data Center Study | Regional Data Center Study |
| | The University of Texas Executive Education and Conference Center AT&T Executive Education and Conference Center | |
| <u>UT Pan American</u> | Animal Research Facility | Research Facility |
| <u>UT Permian Basin</u> | Arts, Convocation, and Classroom Facility at CEED | The Wagner Noel Performing Arts Center |
| <u>UT SWMC - Dallas</u> | Ambulatory Clinic Building and Parking Garage | Outpatient Building Finish-Out |
| <u>UTMB - Galveston</u> | TDCJ Hospital Cladding Restorator | TDCJ Hospital Cladding and Security Systems |
| <u>UTHSC - Houston</u> | Research Park Complex | UT Research Park Complex |
| <u>UTMDACC</u> | Faculty Center Tower | T. Boone Pickens Academic Tower |
| | HMB Demolition | HMB Demolition and Infrastructure |
| | New Patient Care Facilities and Parking (Part A and B) | Legacy North Building |
| | Mid-Campus Central Parking Facility | Mid Campus Parking Facility |
| | UT Research Park Garage 2 | South Campus Parking Garage 2 |
| | UT Research Park Garage 3 | South Campus Parking Garage 3 |
| | UTRP Utilities and Maintenance Facilities (split into phases) | UTRP Utilities and Maintenance Facilities - Phase 1 |
| | | UTRP Utilities and Maintenance Facilities - Phase 2 |

**The University of Texas System
Fiscal Years 2008-2009 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

| | Previously Approved Projects | | New or Additional Appropriations | New Projects | Total Projects |
|---|------------------------------|-----------------------------------|----------------------------------|---|------------------------------------|
| | Current Appropriations | Deleted or Reduced Appropriations | | Appropriations For Projects Initiated in the Capital Budget | Capital Budget Total Project Costs |
| <u>UT Arlington</u> | | | | | |
| Arlington Regional Data Center Electrical Upgrade (IM) | 18,000,000 | | | 2,800,000 | 2,800,000 |
| Energy Performance Contract (IM) | 34,500,000 | | | | 18,000,000 |
| Maverick Activities Center | 52,500,000 | | | 2,800,000 | 34,500,000 |
| Subtotal | | | | | 55,300,000 |
| <u>UT Austin</u> | | | | | |
| Art Building and Museum Renovation | | 3,500,000 | | | 3,500,000 |
| Battle Hall Complex, Renovation | | | | 15,000,000 | 15,000,000 |
| Darrell K Royal-Texas Memorial Stadium Expansion | 176,537,000 | | | | 176,537,000 |
| Energy Efficiency and Conservation - Phase I (IM) | 17,500,000 | | | | 17,500,000 |
| Garrison Hall Renovations | 11,440,000 | | | | 11,440,000 |
| Geology Building Addition | | | | 500,000 | 500,000 |
| H. J. Lutcher Stark Center for Physical Culture and Sports | 5,500,000 | | | | 5,500,000 |
| Hogg Auditorium Renovation | 15,000,000 | | | | 15,000,000 |
| LBJ Library Plaza, Lady Bird Johnson Center and LBJ School Renovations | 47,250,000 | | | 15,000,000 | 47,250,000 |
| Littlefield Home and Carriage House Renovations | 6,300,000 | | | | 15,000,000 |
| Painter Hall - Mechanical System Upgrades/Space Renovations (IM) | 4,725,000 | | | | 6,300,000 |
| Patterson Hall Laboratory and Life Safety Renovations (IM) | 14,700,000 | | | | 4,725,000 |
| Performing Arts Center Infrastructure Upgrades - Phase I and II | 25,000,000 | (25,000,000) | 25,000,000 | | 14,700,000 |
| Phase 2 - Robert A. Welch Hall* | 3,500,000 | | | | 25,000,000 |
| Renovation of John W. Hargis Hall with Visitor Center | 26,500,000 | | | | 3,500,000 |
| Renovations to UFCU Disch-Falk Field | 4,000,000 | | | | 26,500,000 |
| School of Nursing Addition | 12,000,000 | | | | 4,000,000 |
| Speedway Mall North of 21st St. & East Mall/East Mall Fountain | 49,500,000 | | | 33,000,000 | 12,000,000 |
| UT Administration Building Renovations (IM) | | | | | 33,000,000 |
| Utility Infrastructure Projects - Phase II (IM) | | (25,000,000) | 28,500,000 | | 33,000,000 |
| Subtotal | 419,452,000 | | | 63,500,000 | 49,500,000 |
| | | | | | 486,452,000 |
| <u>UT Dallas</u> | | | | | |
| Campus Fire and Life Safety Improvements and Campus Infrastructure Upgrade (IM) | 7,726,000 | | | | 7,726,000 |
| Campus Landscape Enhancement Project | 10,000,000 | | | | 10,000,000 |
| Founders Renovation | 27,793,750 | | | | 27,793,750 |
| Frances and Mildred Goad Building | 15,317,500 | | | | 15,317,500 |
| Major Renovation and Repair Projects (IM) | 2,408,000 | | | | 2,408,000 |
| Power Distribution Upgrade Study | 175,000 | | | | 175,000 |
| Vivarium and Experimental Space | 15,000,000 | | | | 15,000,000 |
| Waterview Science and Technology Center (IM) | 2,950,000 | | | | 2,950,000 |
| Subtotal | 81,370,250 | | | | 81,370,250 |

**The University of Texas System
Fiscal Years 2008-2009 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

| | Previously Approved Projects | | New or Additional Appropriations | New Projects | | Total Projects |
|--|------------------------------|-----------------------------------|----------------------------------|---|------------------------------------|----------------|
| | Current Appropriations | Deleted or Reduced Appropriations | | Appropriations For Projects Initiated in the Capital Budget | Capital Budget Total Project Costs | |
| UT El Paso | | | | | | |
| Build out of the Upper Floors of Kelly Hall (IM) | 2,400,000 | | | | | 2,400,000 |
| Sciences and Engineering Core Facilities Upgrade | 28,000,000 | | | | | 28,000,000 |
| Union West Renovations - 2nd Floor (IM) | 1,000,000 | | | | | 1,000,000 |
| Subtotal | 31,400,000 | | | | | 31,400,000 |
| UT Pan American | | | | | | |
| Old Computer Center Renovation (IM) | | | | 2,000,000 | | 2,000,000 |
| Subtotal | | | | 2,000,000 | | 2,000,000 |
| UT San Antonio | | | | | | |
| Campus Roadway and Parking Improvements (IM) | 4,510,000 | | | | | 4,510,000 |
| Combined Science Facility Renovations - 1604 Campus Expansion to Parking Lot 12 (IM) | 22,500,000 | | 500,000 | | | 22,500,000 |
| Monterey Building Renovation (IM) | 1,500,000 | | | | | 2,000,000 |
| Renovation of Physical Plant Building (IM) | 2,700,000 | | | | | 2,700,000 |
| Surface Parking - West Campus (IM) | 3,436,000 | | | | | 3,436,000 |
| Subtotal | 34,646,000 | | 500,000 | 2,600,000 | 2,600,000 | 37,746,000 |
| UT Tyler | | | | | | |
| Completion/Renovation/Expansion for Engineering, Science and Technology Building | 49,300,000 | | | | | 49,300,000 |
| University Center Renovations/Expansion | 15,300,000 | | | | | 15,300,000 |
| Subtotal | 64,600,000 | | | | | 64,600,000 |
| UT Southwestern Medical Center - Dallas | | | | | | |
| Central Pathology Laboratory (IM) | | | | 4,000,000 | | 4,000,000 |
| Clements Building Finish-Out (IM) | | | | 14,600,000 | | 14,600,000 |
| South Campus Utility Improvements (IM) | | | | 13,635,000 | | 13,635,000 |
| Subtotal | | | | 32,235,000 | | 32,235,000 |
| UTMB Galveston | | | | | | |
| 1108 Strand Renovation | 9,800,000 | | | | | 9,800,000 |
| Basic Science Renovation (IM) | 6,000,000 | | 2,600,000 | | | 8,600,000 |
| Blocker Burn Unit Renovation (IM) | | | | 6,000,000 | | 6,000,000 |
| Diagnostic Imaging, Equipment and Infrastructure (IM) | | | | 60,000,000 | | 60,000,000 |
| Labor and Delivery Renovation (IM) | | | | 8,000,000 | | 8,000,000 |
| Library Facilities Upgrade | 7,900,000 | | 1,000,000 | | | 8,900,000 |
| Linear Accelerator Replacement (IM) | | | | 5,000,000 | | 5,000,000 |
| Rebecca Sealy Hospital Renovation (IM) \ | 9,850,000 | (4,000,000) | 4,000,000 | | | 9,850,000 |
| Research Facilities Expansion | 77,180,000 | | | | | 77,180,000 |

**The University of Texas System
Fiscal Years 2008-2009 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

| | Previously Approved Projects | | New Projects | | Total Projects |
|---|------------------------------|-----------------------------------|----------------------------------|---|----------------|
| | Current Appropriations | Deleted or Reduced Appropriations | New or Additional Appropriations | Appropriations For Projects Initiated in the Capital Budget | |
| Sprinkler System Installation for Patient Care Areas (IM) | | | | 5,000,000 | 5,000,000 |
| TDCJ Hospital Cladding and Security Systems (IM)• | 6,560,000 | (6,560,000) | 10,400,000 | 15,000,000 | 10,400,000 |
| Utility Production Equipment (IM) | | | | 99,000,000 | 15,000,000 |
| Subtotal | 117,290,000 | (10,560,000) | 18,000,000 | | 223,730,000 |
| UT HSC Houston | | | | | |
| Expansion of School of Health Information Sciences (IM) | 3,000,000 | | | | 3,000,000 |
| Repair of the Medical School Building, Phase I (IM) | 60,808,102 | | | | 60,808,102 |
| Subtotal | 63,808,102 | | | | 63,808,102 |
| UTHSC San Antonio | | | | | |
| Emergency , Fire and Safety Initiative, Phase I | 8,900,000 | | | | 8,900,000 |
| Medical School Sprinkler Installation (IM) | 3,200,000 | | | | 3,200,000 |
| MEP Upgrades, Phase I (IM) | 1,922,029 | | | | 1,922,029 |
| Subtotal | 14,022,029 | | | | 14,022,029 |
| UTMDACC | | | | | |
| Administrative Support Building - Phase 2 (IM) | 30,976,000 | | | | 30,976,000 |
| Administrative Support Building - Phase 3 (IM) | | | | 20,031,000 | 20,031,000 |
| Alkek Expansion - Renovations to Existing Facility (IM) | | | | 68,000,000 | 68,000,000 |
| American Disabilities Act Upgrades (IM) | 18,400,000 | | | | 18,400,000 |
| Backfill Phase III (IM) | 91,600,000 | | | | 91,600,000 |
| BF/BRB Infrastructure Repairs Beyond 2011 (IM) | | | | 10,000,000 | 10,000,000 |
| Center for Advanced Biomedical Imaging Research (Buildout) | | | | 44,060,000 | 44,060,000 |
| CRR Renovation Budget FY 2008-2009 (IM) | | | | 14,290,000 | 14,290,000 |
| Demolish OST Building (IM) | | | | 4,000,000 | 4,000,000 |
| Energy Management Projects Phase II (IM) | 15,500,000 | | | | 15,500,000 |
| Exterior Cladding Main Campus (IM) | 10,000,000 | | | | 7,700,000 |
| Future Emergency Management Projects (IM) | | (2,300,000) | | 20,000,000 | 20,000,000 |
| Garage 5 Demolition (IM) | | | | 1,000,000 | 1,000,000 |
| Guhn Road Data Center Renovation (IM) | 5,000,000 | | | | 5,000,000 |
| HMB Demolition and Infrastructure (IM) | 10,000,000 | | | | 10,000,000 |
| Main Building Utility Plan - Phase I (IM) | | | | 6,750,000 | 6,750,000 |
| Main Building Utility Plan - Phase 2 (IM) | | | | 20,000,000 | 20,000,000 |
| MSI Building Demolition (IM) | 3,000,000 | | | | 2,500,000 |
| Pawnee Infrastructure Development | | | | 4,000,000 | 4,000,000 |
| Redevelopment-Phase I (IM) | 56,000,000 | | | | 56,000,000 |
| Redevelopment-Phase II (IM) | | | | 53,300,000 | 53,300,000 |
| Research Lab Renovations (IM) | 25,000,000 | | | | 25,000,000 |
| Research Recruitment Renovations (IM) | | | | 25,000,000 | 25,000,000 |
| RHI Renovations and Repairs (IM) | | | | 18,200,000 | 18,200,000 |
| Roof Replacement Program Gimbel, Bates Freeman, AC, New Clark, Gimbel(IM) | 4,000,000 | | | | 4,000,000 |

**The University of Texas System
Fiscal Years 2008-2009 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

| | Previously Approved Projects | | New Projects | | Total Projects |
|--|------------------------------|-----------------------------------|----------------------------------|---|----------------------|
| | Current Appropriations | Deleted or Reduced Appropriations | New or Additional Appropriations | Appropriations For Projects Initiated in the Capital Budget | |
| South Campus Vivarium Facility (IM) | 45,000,000 | | | | 45,000,000 |
| South Campus Vivarium Imaging Facility (IM) | | | | 4,000,000 | 4,000,000 |
| SRB Exhaust Fans (IM) | | | | 2,250,000 | 2,250,000 |
| Transfusion Medicine Relocation (IM) | | | | 3,225,000 | 3,225,000 |
| UTRP Electric Reliability (IM) | | | | 5,000,000 | 5,000,000 |
| Subtotal | 283,500,000 | (2,800,000) | | 323,106,000 | 634,782,000 |
| UTHC - Tyler | | | | | |
| Campus Electrical Distribution System Upgrade and Expansion (IM) | 950,000 | | | | 950,000 |
| Subtotal | 950,000 | | | | 950,000 |
| Totals | 1,163,538,381 | (38,360,000) | 47,000,000 | 525,241,000 | 1,728,395,381 |

(IM) - Institutionally Managed

*changed funding source from previously appropriated RFS to Gifts

^changed funding source from previously appropriated Gifts to Hospital Revenues

•changed funding source from previously appropriated Hospital Revenues to Grants and increased TPC

Approval of Revenue Financing System Debt
 For Certain Construction and Repair and Rehabilitation Projects in the FY 2008-2013 Capital Improvement Program

Attachment 4

| Component | Project | Type 1/ Project Cost | Total | | Type of Debt | Component DSC 2/ |
|----------------------------------|---|-------------------------|-------------------------|------------------------|-----------------|------------------|
| | | | Amount of RFS or TRB | Project Cost | | |
| U. T. Arlington | Arlington Regional Data Center Electrical Upgrade (IM) | R&R | 1,300,000 | 2,800,000 | RFS | |
| U. T. Austin | UT Administration Building Renovations | R&R | 18,000,000 | 33,000,000 | RFS | |
| U. T. San Antonio | Expansion to Parking Lot 12 Surface Parking - West Campus (IM) | R&R/Inc R&R | 500,000 2,600,000 | 2,000,000 2,600,000 | RFS RFS | |
| U. T. Medical Branch - Galveston | Basic Science Renovation Library Facilities Upgrade | R&R/Inc R&R/Inc | 2,600,000 1,000,000 | 8,600,000 8,900,000 | RFS RFS | |
| Total | | | 26,000,000 | 57,900,000 | | |

1/IM = Institutionally Managed; R&R = Repair and Rehabilitation; INC = Increase in RFS Debt.

2/ Institutional Debt Service Coverage ("DSC") is net revenue divided by debt service. TRB DSC is based on the U. T. System's combined financial forecast.

**Request to Amend the University of Texas System
FY 2008-2013 Capital Improvement Program and FY 2008-2009 Capital Budget**

Attachment 5

Existing CIP Projects to Receive Modified Funding and/or Revised Project Cost

| Project Name | Existing TPC | Adds | New TPC | Existing Funding (In millions) | | | | | New/Additional Funding (In millions) | | | | | | | | |
|--|--------------------|-------------------|--------------------|--------------------------------|--------------|-------------|---------------|--------------|--------------------------------------|-------------|-------------|---------------|--------------|--------------|-------------|---------------|---------------|
| | | | | RFS | TRB | Gifts | Grants | Hosp. Rev. | RFS | TRB | Gifts | Grants | Hosp. Rev. | | | | |
| <u>UT Medical Branch - Galveston</u> Galveston National Laboratory | 173,671,123 | | 173,671,123 | | 57.00 | 1.57 | 115.10 | | | | | | | | | | |
| <u>UTMD Anderson Cancer Center</u> Smithville Facility Strategic Plan | 26,000,000 | 34,500,000 | 60,500,000 | | | | | | | | | | | | | | 26.00 |
| <u>T. Boone Pickens Academic Tower</u> | 145,000,000 | 22,200,000 | 167,200,000 | 80.00 | | | | | | | | | | | | | 65.00 |
| Totals | 344,671,123 | 56,700,000 | 401,371,123 | 80.00 | 57.00 | 1.57 | 115.10 | 80.00 | 57.00 | 0.00 | 0.00 | 116.67 | 80.00 | 57.00 | 0.00 | 116.67 | 147.70 |

10. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for the fiscal year ending August 31, 2008, Permanent University Fund (PUF) Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation (LERR) Projects for FY 2008

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the U. T. System institutions, recommends that the nonpersonnel aspects of the U. T. System Operating Budgets for the fiscal year ending August 31, 2008, including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans, be approved.

It is further recommended that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. System Board of Regents through the Docket.

It is requested that Permanent University Fund (PUF) Bond Proceeds in the amount of \$30,000,000 be appropriated to the institutions to fund Library, Equipment, Repair and Rehabilitation (LERR) Projects for Fiscal Year 2008. This would authorize the purchase of approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases or repair and rehabilitation projects are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor and, where required, the U. T. System Board of Regents. Transfers by U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with procedures for construction projects established by the U. T. System Board of Regents.

There are two additional requests for PUF Bond Proceed allocations. For the purchase of enterprise compliance and configuration manager (ECCM) software and maintenance, \$4,083,000 is requested. This software automates management of computer configurations, enforces security standards, identifies vulnerabilities, and provides automated and manual remediation. This system will directly address information security breaches that U. T. System institutions have experienced. These funds will not be expensed until a commitment of participation is received from each institution.

The second request of \$3,500,000 is for the North Texas Student Information System Pilot Project. This is a supplemental request to the \$8,000,000 approved by the Board on October 4, 2006. The object of the Project is to achieve cost savings through economies of scale, process improvements attained through standardization, universal application of institutionally preferred practices, improved and more consistent reporting,

and the improvement of services for students, faculty, and staff. This supplement proposes necessary funds for services identified during the vendor bid reviews, inclusion of upgrade implementation services for U. T. Arlington, and assistance to U. T. Tyler for their portion of the implementation.

It is further recommended that LERR appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2008 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the appropriate Executive Vice Chancellor upon recommendation of the president of the institution.

BACKGROUND INFORMATION

A supplemental volume of the budget materials titled "Operating Budget Summaries and Reserve Allocations for Library, Equipment, Repair and Rehabilitation" is enclosed in the front pocket of this Agenda Book.

See the Executive Session item related to the personnel aspects of the U. T. System Operating Budgets (Item 1b on Table of Contents Page i for Meeting of the Board).

The appropriation of PUF Bond Proceeds will be presented in the Fiscal Year 2008 LERR Budget. The allocation of these LERR funds to the U. T. System institutions was developed from prioritized lists of projects submitted by the institutions and reviewed by U. T. System Administration staff.

As required by the Available University Fund (AUF) Spending Policy, a forecast of revenues and expenses of the AUF for seven years, including the above allocation has been prepared and is provided on Page 19. The additional appropriation of PUF Bond Proceeds for this allocation is within the policy as shown in the forecast.

Supplemental Materials:

PowerPoint presentation on the operating budget on Pages 6.8 – 6.35.

Other supporting materials including the Chancellor's recommendations for initiatives to be funded from proceeds of termination of bond swap agreements are on Pages 6.36 - 6.44.

11. U. T. System Board of Regents: Approval of Permanent University Fund (PUF) Bond Proceeds allocation for the Science and Technology Acquisition and Retention (STARs) Program

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, recommends that \$20,000,000 of Permanent University

Fund (PUF) Bond Proceeds be appropriated to provide additional funding to build and enhance research infrastructure to attract and retain the best qualified faculty known as the Science and Technology Acquisition and Retention (STARs) Program. Through a competitive proposal process determined by U. T. System Administration, funds will be distributed for the purpose of recruiting top researchers.

It is further recommended that STARs appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2008 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the appropriate Executive Vice Chancellor upon recommendation of the president of the institution.

BACKGROUND INFORMATION

On August 12, 2004, the U. T. System Board of Regents approved an allocation of funds to be awarded to institutions to help attract and retain the best qualified faculty. Funded through PUF Bond Proceeds, this awards program, named Faculty STARs, provided funding to help purchase state-of-the-art research equipment and make necessary laboratory renovations to encourage faculty members to perform their research at U. T. institutions. In August 2004, the Board allocated \$59 million for this program. In Fiscal Year 2006, \$15 million was allocated with an additional \$20 million allocated in Fiscal Year 2007.

With the exception of a portion of funding distributed noncompetitively to academic institutions in Fiscal Year 2005, recipients of the STARs awards are selected through a competitive process. The program is centrally administered by U. T. System for start-up or retention packages for tenured faculty of proven quality who are recommended from the institutions by a faculty group at the nominating university. A peer review committee chaired by the appropriate Executive Vice Chancellor examines the STARs awards at the U. T. System Administration level and makes recommendations. The funds are available only for laboratory renovation and equipment purchases. Consistent with other PUF bond funded programs, the STARs award may not be spent on operations.

The program is making a significant contribution toward accomplishing the goal of developing and further strengthening the research capacity of the institutions within U. T. System. The competitive program has helped U. T. institutions recruit and retain some of the best researchers in the nation, recognized nationally and internationally for their scholarly achievements. Since the program's inception, these individuals have made a significant impact to U. T. System institutions through research grants, collaborations made with outside entities, and pending and issued patents as well as by encouraging future research and excellence.

12. **U. T. System: Recommendation to authorize the U. T. System to extend an option to lease previously granted to the Office of the Governor of the State of Texas with regard to 6,300 acres in the West Texas Lands in Pecos County to allow land to be available to FutureGen Industrial Alliance, Inc., for long-term lease and injection and storage of CO₂**

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the U. T. System Board of Regents authorize the Vice Chancellor and General Counsel to negotiate and take actions as necessary to allow the U. T. System to extend by six months an option to lease previously granted to the Office of the Governor of the State of Texas with respect to 6,300 acres of University Lands in Pecos County to allow the lands to be made available to FutureGen Industrial Alliance, Inc. (FutureGen) for the purpose of offering, through a 50-year lease term, for the injection and storage of carbon dioxide (CO₂). The subject properties are illustrated in Exhibit A on Page 50. The recommendation is conditioned upon the following provisions:

- a. The extension would be on essentially the same terms and conditions as the initial option to lease, with the area redefined to conform to the current area of interest.
- b. The consideration for any lease ultimately issued will be determined by the U. T. System obtaining independent appraisals and gathering other valuation information and will be negotiated with FutureGen. The value and terms of the lease will require the approval of the Board for Lease of University Lands and the U. T. System Board of Regents.
- c. The option is contingent on the lease of any injection and storage site allowing for horizontal drilling from adjacent tracts to access oil and gas resources beneath the CO₂ storage area and other agreed activities that will not disturb CO₂ storage.

BACKGROUND INFORMATION

FutureGen is a \$1 billion public-private partnership to locate, design, build, and operate the world's first coal-fueled, zero-emissions power plant. The partnership is comprised of American Electric Power, Anglo American llc, BHP Billiton, China Huaneng Group, CONSOL Energy Inc., Foundation Coal Corporation, Kennecott Energy Company, Peabody Energy, and Southern Company. FutureGen has released a Request for Proposals (RFP) for the FutureGen Host Site.

One of the requirements set forth in the RFP is the ownership of or access to property suitable for siting a CO₂ injection facility and the long-term underground storage of a large quantity of CO₂. Acting through the Bureau of Economic Geology at The University of Texas at Austin's John A. and Katherine G. Jackson School of Geosciences, the State of Texas has developed two site proposals in response to the RFP. One site is located in East Texas and does not affect University Lands or other property controlled by U. T. System. The other site, the subject property, is in the Permian Basin region proximate to oil and gas producing lands (West Texas Lands), the surface of which is owned and controlled by U. T. System and the mineral rights to which are subject to lease by the Board for Lease of University Lands. The subject property will be needed by FutureGen for injection purposes if the West Texas site, near Penwell, Texas, is selected as the final site for the FutureGen project. The final site selection for the FutureGen project is expected to be made in Fall 2007.

On April 19, 2006, the Board for Lease of University Lands passed a resolution concurring in the decision of the U. T. System to join the State of Texas in submitting the Texas response to the FutureGen RFP and setting conditions to protect the value of the Permanent University Fund (PUF) minerals. A copy of the resolution is attached on Pages 47 - 49.

The Board of Regents authorized the existing Option to Lease by Resolution on April 27, 2006.

**RESOLUTION OF THE BOARD FOR LEASE OF UNIVERSITY LANDS
REGARDING THE UNIVERSITY OF TEXAS SYSTEM'S
PARTICIPATION IN FUTUREGEN TEXAS**

This resolution sets forth the general principles and key terms pursuant to which the Board for Lease of University Lands concurs with The Board of Regents of The University of Texas System (UTS) in considering UTS' participation in the response of the State of Texas to the Request for Proposals for the FutureGen Facility Host Site (RFP) released by the FutureGen Industrial Alliance, Inc. (FutureGen). To the extent necessary or advisable, this resolution may serve as the basis for an interagency cooperation contract between UTS, and as necessary, the Board for Lease of University Lands, and the appropriate state agency pursuant to the provisions of The Interagency Cooperation Act, *Texas Gov 't Code*, §§ 771.001, *et seq.*

RECITALS

- A. FutureGen is a \$1 billion public-private partnership to locate, design, build and operate the world's first coal-fueled, zero-emissions power plant.
- B. FutureGen has released the RFP and responses to the RFP are due by May 4, 2006.
- C. Considering its coal production and consumption, existing infrastructure, industrial, economic and population profile, and overall prominence in the energy industry, among other factors, the State of Texas is uniquely positioned with respect to the site selection criteria identified in the RFP.
- D. Acting through the Bureau of Economic Geology at The University of Texas at Austin's John A. and Katherine G. Jackson School of Geosciences, the State of Texas has developed two site proposals in response to the RFP.
- E. One of the Texas site proposals is in the Permian Basin region proximate to oil and gas producing lands (West Texas Lands), the surface of which is owned and controlled by UTS and the mineral rights to which are subject to lease by the Board for Lease of University Lands.
- F. One of the requirements set forth in the RFP is the ownership of or access to property suitable for siting a CO₂ injection facility and the long-term underground storage of a large quantity of CO₂.
- G. UTS, through its ownership and control of the West Texas Lands, has available an appropriate CO₂ injection and storage site.
- H. UTS is expected to support the State of Texas in its bid submission for FutureGen.

General Terms of Understanding

1. UTS' Participation in the FutureGen RFP Response. UTS is expected to join the State of Texas in submitting the Texas response to the FutureGen RFP for the purpose of nominating certain property in the West Texas Lands as a suitable CO₂ injection and storage site. The Texas RFP response will designate two proposed areas for CO₂ injection and storage within the West Texas Lands as illustrated on Exhibit A to this resolution.

A. Area 1. As designated on Exhibit A by the red cross-hatched circles, Area 1, comprising up to 6,300 acres in seven different injection sites each of which sites will be up to 900 acres in area, will be described as the primary and adequate CO₂ injection and storage site. The exact locations of the sites must be determined prior to September 1, 2006. UTS will offer a 50-year lease on Area 1 according to the general terms and procedures set forth in Section 2A of this resolution.

B. Area 2. As designated on Exhibit A by the blue cross-hatched circle, Area 2 comprising approximately 45,000 acres (including those areas included within Area 1) will be described in the Texas RFP response as an available CO₂ injection and storage site if required by FutureGen. Until September 1, 2006, UTS will offer a 50-year lease on Area 2 according to the general terms and procedures set forth in Section 2B of this resolution. From and after September 1, 2006 and until the execution of the lease, the 45,000 acres may be held for an annual payment of \$100 per acre.

2. Offering Terms of Property in the West Texas Lands. A 50-year lease of either Area 1 or Area 2 requires the approval of both the UTS Board of Regents and the Board for Lease of University Lands. In support of the Texas FutureGen RFP Response, UTS will offer for lease Area 1 or Area 2 as follows:

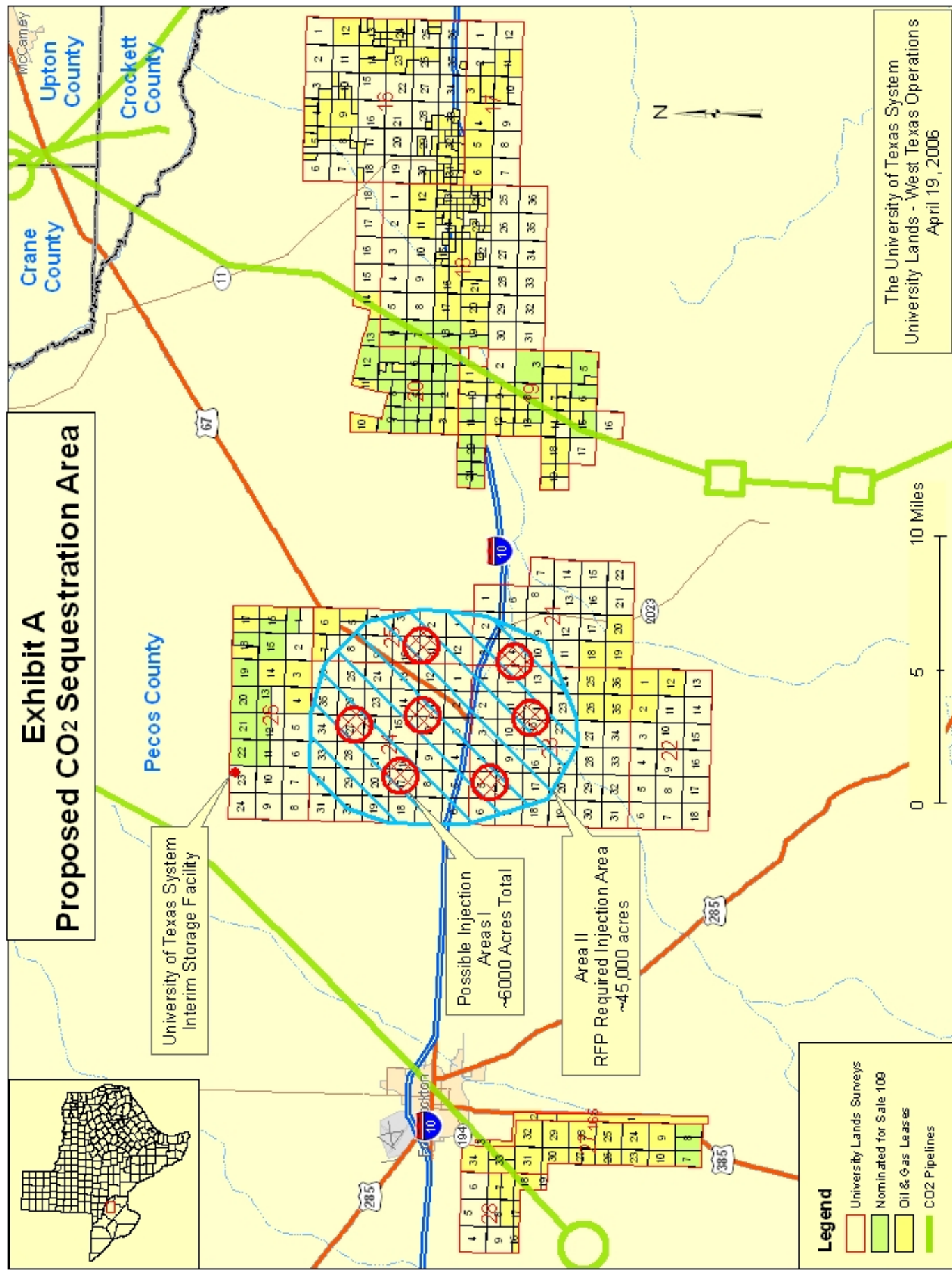
A. Area 1. The Board for Lease of University Lands hereby authorizes a proposed 50-year lease of Area 1 as the FutureGen CO₂ injection and storage. Before a final lease of Area 1 for FutureGen, UTS will obtain independent appraisals and gather other valuation information and such lease will be negotiated based on such then-current information, but not less than fair market value¹. The lease of Area 1 as the FutureGen CO₂ injection and storage site will allow for horizontal drilling from adjacent tracks to access oil and gas resources beneath the CO₂ storage area and other agreed activities that will not disturb CO₂ storage.

B. Area 2. If required by FutureGen as a condition of award of the FutureGen project to the State of Texas, UTS will undertake to have approved and establish the terms of a 50-year lease of Area 2 for a CO₂ injection and storage site. UTS will undertake a study and propose a market value of such a lease of Area 2 and have such fair market value confirmed by independent appraisals. The terms and conditions of a 50-year lease of Area 2 as a CO₂ injection and storage site will then be presented to the UTS Board of Regents and the Board for Lease of University Lands for approval.

¹ West Texas Operations estimates that the proposed 50-year lease may be priced as follows: 1) an upfront bonus payment of \$1,000/acre; and 2) an annual lease payment of .10/mcf of CO₂ injected approximating \$1.7 million/year based on injection estimates in the RFP, subject to periodic escalations based upon market factors.

3. UTS Review of Texas RFP Response. Acting through its Office of the Chancellor and the Office of General Counsel, UTS will be given the opportunity to review and approve all provisions of the Texas RFP response that relate to Sections 1 and 2 of this resolution.

4. Indemnity and Hold Harmless of UTS. It is the understanding of UTS and other concerned parties that the Texas Legislature may enact a statute that would declare all CO₂ generated by the FutureGen Project in Texas owned by the State of Texas and would indemnify and hold harmless all other parties, including instrumentalities, subsidiaries and agencies of the State of Texas from all liability, damages and harm suffered associated with the handling, transportation, injection, storage and release of CO₂ whether accrued directly or arising by third party action. In the event such a statute is not enacted into law, UTS will not be obligated to participate in the Texas RFP response and the West Texas Lands will not be available for nomination as a CO₂ injection and storage site.



13. U. T. System Board of Regents: Presentation of certificate of appreciation to President John D. Stobo, M.D.

Chairman Huffines will present a certificate of appreciation to John D. Stobo, M.D., President, U. T. Medical Branch - Galveston, for his distinguished service and outstanding contributions. Dr. Stobo, who has served as President of U. T. Medical Branch - Galveston for the past 10 years, has announced that he plans to resign from the presidency effective August 31, 2007.

14. U. T. System Board of Regents: Election of additional Vice Chairman (Regents' Rules and Regulations, Series 10102, Section 3)

Regents' Rules and Regulations, Series 10102, Section 3 provide for the election of three Vice Chairmen of the Board of Regents.

Current Vice Chairmen are Rita C. Clements and Cyndi Taylor Krier.



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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 8/22/2007
Austin, Texas

*Robert A. Estrada, Chairman
Rita C. Clements
Judith L. Craven, M.D.
Cyndi Taylor Krier
Robert B. Rowling*

| | Committee Meeting | Page |
|---|------------------------------------|-------------|
| A. CONVENE | 11:30 a.m. | |
| | <i>Chairman Estrada</i> | |
| 1. U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit | 11:30 a.m. Report | 51 |
| | <i>Ms. Barrett</i> | |
| 2. U. T. System Board of Regents: Approval of the Audit, Compliance, and Management Review Committee Charter and Responsibilities Checklist | 11:40 a.m. Action | 52 |
| | <i>Mr. Chaffin</i> | |
| 3. U. T. System: Review of System-wide Annual Audit Plan Process | 11:48 a.m. Report | 58 |
| | <i>Mr. Chaffin</i> | |
| 4. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security | 11:53 a.m. Report | 58 |
| | <i>Mr. Watkins Mr. Chaffin</i> | |
| 5. U. T. System: Report on System-wide Internal Audit Activity | 11:58 a.m. Report | 59 |
| | <i>Mr. Chaffin</i> | |
| B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 | 12:00 p.m. | |
| 1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074 | | |
| U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions | | |
| 2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071 | | |
| C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO ADJOURN | 12:30 p.m. | |

1. **U. T. System: Report on the status of the Proposed Plan for the Fiscal Year 2007 U. T. System Financial Statements Audit**

REPORT

Ms. Amy Barrett, Assistant Director, System Audit Office, will report on the plan for conducting the Fiscal Year 2007 U. T. System Consolidated Financial Statements Audit including methodology, staffing, and timelines.

Supplemental Materials: The PowerPoint presentation is set forth on Pages 7 – 18 of Volume 2. The detailed plan titled "Audit of Consolidated Financial Statements for 2007" is set forth on Pages 19 – 31 of Volume 2. Specifically, the engagement objectives, audit approach, and scope are set forth on Page 24 of Volume 2.

BACKGROUND INFORMATION

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

A contract with Deloitte & Touche, LLP, was negotiated to provide an audit of the U. T. System Consolidated Financial Statements for the fiscal year ending August 31, 2005. The contract commenced on August 30, 2004, and terminated on April 1, 2006. On March 28, 2006, the Board authorized a renewal of the contract for the fiscal year ending August 31, 2006. The contract commenced on April 1, 2006, and terminated on April 1, 2007. On April 16, 2007, the Board of Regents voted not to renew the contract for the fiscal year ending August 31, 2007, but expressed confidence in the financial audit work that could be performed by the institutional and U. T. System auditors. As a result of that decision, the System Audit Office put together a plan to oversee and coordinate the internal audit of the Fiscal Year 2007 U. T. System Consolidated Financial Statements.

2. **U. T. System Board of Regents: Approval of the Audit, Compliance, and Management Review Committee Charter and Responsibilities Checklist**

RECOMMENDATION

On a periodic basis, the Audit, Compliance, and Management Review Committee reviews its Charter and Responsibilities Checklist to ensure that any changes in regulatory requirements, authoritative guidance, and evolving oversight practices are reflected. Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, recommends the proposed Charter and Responsibilities Checklist for the Audit, Compliance, and Management Review Committee be reviewed by the Committee and approved, without any suggested changes, as set forth on Pages 53 – 57.

BACKGROUND INFORMATION

On November 12, 2003, the Committee approved the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002. Included in the Action Plan was the establishment of a Committee Charter and Responsibilities Checklist. The Committee Charter specifies that the Committee's responsibilities in carrying out its oversight role will be delineated in the Responsibilities Checklist. The Charter, including the Responsibilities Checklist, was originally approved by the U. T. System Board of Regents on November 13, 2003, and the Responsibilities Checklist was amended on November 5, 2004. Minor editorial changes were made to both the Charter and Responsibilities Checklist on February 8, 2006.

Audit, Compliance, and Management Review Committee Charter of the Board of Regents of The University of Texas System

Role

The Audit, Compliance, and Management Review Committee (“the Committee”) of the Board of Regents (“the Board”) of The University of Texas (“U. T.”) System assists the Board in fulfilling its responsibilities for:

- ◆ Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- ◆ Oversight and direction of the internal auditing function, any external auditors whom the Committee may employ, and engagements with the State Auditor;
- ◆ Oversight and direction for the System-wide compliance function;
- ◆ Oversight of the review of effective institutional management practices at all U. T. System institutions; and
- ◆ Other duties as directed by the Board.

The Committee’s role includes a particular focus on U. T. System’s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

Membership

The membership of the Committee shall consist of at least four Board members, appointed by the Chairman of the Board, who shall be free of any relationship that would interfere with his or her individual exercise of independent judgment. Applicable laws and regulations shall be followed in evaluating a member’s independence.

Reporting

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm employed by the Committee shall report directly to the Committee. The State Auditor’s reports will be submitted to this Committee. The Committee is expected to maintain free and open communications, which shall include private executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit, Compliance, and Management Review Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee’s discharge of its responsibilities.

Education

U. T. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. T. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

Authority

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. T. System employees and operations as necessary to carry out this authority.

Responsibilities

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit, Compliance, and Management Review Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm they may employ in carrying out its oversight responsibilities. U. T. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm hired by the Committee is responsible for performing the services specified in the hiring contract.

**Responsibilities Checklist
for the
Audit, Compliance, and Management Review Committee
of the
Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System ("the Board").
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee's Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual institution from hiring a public accounting firm to perform work at the institutional level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System's engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.
13. The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm:

- a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
 - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all institutions;
 - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U. T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
- a. U. T. System's annual financial statements and related footnotes;
 - b. Any audit and assurance work performed on components of the annual financial statements;
 - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
 - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
 - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. T. System Chief Financial Officer certify the annual financial statements for the U. T. System as a whole, and that each institutional Chief Financial Officer certify the annual financial statements for their respective institution.
16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
17. The Committee shall at least annually
- a. review with executive management and the Chief Audit Executive the U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' *Rules and Regulations*, and/or operating policies or standards;
 - b. engage executive management and the external audit firm in the discussion of off-balance sheet transactions/arrangements that have, or are reasonably likely to have, a current or future effect on the System's or any of the institution's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to users of the financial statements. The discussion should include the extent of the off-balance sheet transactions/arrangements and whether GAAP or other regulations results in the financial statements reflecting the economics of such transactions/arrangements.
18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.
19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
- a. Significant findings during the year and management's responses thereto;
 - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
 - c. Any changes required in the planned scope of the audit plan.
20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.

21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
 - a. Significant institutional risks identified during the year and mitigating actions taken;
 - b. Significant findings during the year and management's responses thereto;
 - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
 - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist annually.

3. U. T. System: Review of System-wide Annual Audit Plan Process

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the process for developing the Fiscal Year 2008 U. T. System-wide Annual Audit Plan (Audit Plan), which is a blueprint of the internal audit activities that will be performed by the internal audit function throughout U. T. System.

Individual annual audit plans are prepared at System Administration and each institution in July and August with input and guidance from the System Audit Office, Offices of Academic or Health Affairs, and the institution's Management and Audit Committee. Development of the annual audit plans is based on risk assessments performed at each institution to ensure areas/activities specific to each institution with the greatest risk are identified to be audited. The Chief Audit Executive provides direction to the internal audit directors prior to the preparation of the annual audit plans and provides formal feedback through "audit hearings" with each institution. After the review process, each institutional Audit Committee formally approves its institution's annual audit plan in August.

Upon recommendation by the Audit, Compliance, and Management Review Committee, the U. T. System Board of Regents will be asked to approve the proposed Audit Plan at a special called meeting. Implementation of the Audit Plan will be coordinated with the institutional auditors.

4. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security

REPORT

Mr. Lewis Watkins, Chief Information Security Officer, will report on activities and progress made towards implementation of the U. T. System Action Plan to Enhance Information Security Compliance. This report will include a description of strategies and projects currently underway and planned for Fiscal Year 2008 and a description of specific risks these strategies and projects address.

Mr. Charles Chaffin, System-wide Compliance Officer, will report on the independent assessment of the effectiveness and structure of the U. T. System Administration Compliance Office and the System-wide Compliance Program performed by Strategic Management Systems, Inc., which took place in late April 2007 and late May 2007, respectively. A final report is expected to be issued by the end of the fourth quarter 2007.

Mr. Chaffin will also brief the Audit, Compliance, and Management Review Committee on the third quarter report of the System-wide Compliance Program. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity reports will be sent on August 3, 2007.

Supplemental Materials: Third quarter report of the System-wide Compliance Program on Pages 32 – 36 of Volume 2.

5. U. T. System: Report on System-wide Internal Audit Activity

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on System-wide audit activity for the third quarter of Fiscal Year 2007, including the status of significant audit findings and related recommendations.

The third quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 60 – 61. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Page 61a.

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

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings

| Report Date | Institution | Audit | 2nd Quarter 2007 | | 3rd Quarter 2007 | | Overall Progress Towards Completion (Note) |
|-------------|---------------------|--|------------------|---------------------------|------------------|---------------------------|--|
| | | | Ranking | # of Significant Findings | Ranking | # of Significant Findings | |
| 2007-05 | UTARL | General IT Controls – Planning and Organization | | | | | Satisfactory |
| 2004-03 | UTB | Contracts and Grants | | 1 | | | Satisfactory |
| 2004-06 | UTB | 2003 Financial and Applications Controls Audit of the Financial Aid Office | | 1 | | | Satisfactory |
| 2004-10 | UTB | Physical Plant | | 2 | | | Satisfactory |
| 2003-12 | UTD | Lab and Biological Safety | | 1 | | | Satisfactory |
| 2007-01 | UTD | Annual Financial Report Audit | | 1 | | | Satisfactory |
| 2005-05 | UTEP | Office of the Registrar | | 1 | | | Satisfactory |
| 2005-08 | UTEP | Texas Success Initiative | | 1 | | | Satisfactory |
| 2007-02 | UTEP | Campus-wide Information Technology Applications | | 5 | | | Satisfactory |
| 3007-04 | UTEP | Bid and Contract Processes | | | | | Satisfactory |
| 2006-04 | UTPA | GEAR UP | | 1 | | | Implemented |
| 2007-05 | UTPA | Grants & Contracts - Cost Sharing | | | | | Satisfactory |
| 2004-09 | UTSA | Research Compliance - Time and Effort Reporting | | 1 | | | Satisfactory |
| 2006-07 | UTSA | Information Technology Change Management | | 1 | | | Satisfactory |
| 2006-10 | UTSA | Library Audit | | 1 | | | Satisfactory |
| 2007-04 | UTSA | Confidentiality of SSNs | | | | | Satisfactory |
| 2006-05 | UTSMC - Dallas | Accounts Payable | | 1 | | | Satisfactory |
| 2006-09 | UTSMC - Dallas | Hospital Compliance Program | | 1 | | | Satisfactory |
| 2005-03 | UTMB - Galveston | Compliance Update with the HIPAA Final Security Rule (Institutional) | | 1 | | | Satisfactory |
| 2005-07 | UTMB - Galveston | Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care) | | 2 | | | Satisfactory |
| 2006-11 | UTMB - Galveston | Wireless Access | | 1 | | | Satisfactory |
| 2006-10 | UTHSC - Houston | Patient Registration | | 1 | | | Satisfactory |
| 2007-05 | UTHSC - Houston | Billing Collection Process and Review of Selected Applications of the Billing System | | | | | Satisfactory |
| 2007-05 | UTHSC - Houston | Medical School Charge Capture Processes | | | | | Satisfactory |
| 2007-05 | UTHSC - Houston | Security of Credit Card Data | | | | | Satisfactory |
| 2006-04 | UTHSC - San Antonio | Medical Services, Research and Development Plan Collections | | 1 | | | Satisfactory |
| 2001-08 | UTMDACC - Houston | Lotus Notes Environment | | 1 | | | Satisfactory |
| 2004-01 | UTMDACC - Houston | PeopleSoft Payroll | | 1 | | | Satisfactory |
| 2006-07 | UTMDACC - Houston | Pharmacy Inventory Review | | 1 | | | Satisfactory |
| 2006-07 | UTMDACC - Houston | Pharmacy Application Security Review | | 1 | | | Implemented |
| 2006-09 | UTMDACC - Houston | Centralized Backup, Storage and Recovery | | 3 | | | Satisfactory |
| 2005-04 | UTHC - Tyler | Texas Administrative Code 202 Compliance | | 1 | | | Satisfactory |
| 2005-06 | UTHC - Tyler | Medical Services, Research and Development Plan Annual Financial Report 8/31/04 | | 1 | | | Implemented |
| 2005-11 | UTHC - Tyler | IT Security Audit of Meditech and Lake Superior Software Patient Information Systems | | 1 | | | Satisfactory |
| 2006-06 | UTHC - Tyler | Review of the Office of the President's Travel & Entertainment | | 1 | | | Satisfactory |
| 2005-12 | UTSYS ADM | System-wide Financial Audit | | 4 | | | Satisfactory |
| 2006-05 | UTSYS ADM | UTMCO Institutional Investment and Compliance Audits | | 6 | | | Satisfactory |
| | | | | 46 | | 57 | |

Totals

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings

| Report Date | Institution | Audit | 2nd Quarter 2007 | | 3rd Quarter 2007 | | Targeted Implementation Date | Overall Progress Towards Completion (Note) |
|---------------|---------------------|--|------------------|---------------------------|------------------|---------------------------|------------------------------|--|
| | | | Ranking | # of Significant Findings | Ranking | # of Significant Findings | | |
| 2007-03 | UTPB | 2006 Statewide Single Audit - Student Financial Aid Cluster | | | | 2 | 7/31/2007 | Satisfactory |
| 2004-02 | UTSA | Financial Review | | 1 | | 1 | 12/31/2007 | Satisfactory |
| 2007-03 | UTSA | 2006 Statewide Single Audit - Student Financial Aid Cluster | | | | 0 | 4/5/2007 | Implemented |
| 2006-02 | UTMB - Galveston | Federal Portion of Statewide Single Audit FY 2005 | | 0 | | 2 | 6/30/2008 | Satisfactory |
| 2004-06 | UTHSC - San Antonio | Protection of Research Data at Higher Education Institutions | | 1 | | 1 | 7/31/2007 | Satisfactory |
| 2005-02 | UTMDACC - Houston | Federal Portion of the Statewide Single Audit FY 2004 | | 1 | | 2 | 8/31/2007 | Satisfactory |
| 2002-11 | UTMDACC - Houston | Security Over PHI | | 0 | | 1 | Date Pending | Satisfactory |
| 2007-05 | UTMDACC - Houston | Charity Care at Health-Related Institutions | | | | 1 | Date Pending | Satisfactory |
| Totals | | | | 3 | | 10 | | |

Color Legend:

- Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.
- Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- Significant finding for which substantial progress towards implementation was made during the quarter.
- Significant Finding was appropriately implemented during the quarter and will no longer be tracked.

Note:

- Implemented** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
- Satisfactory** - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
- Unsatisfactory** - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.

| OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 3/2007 through 5/2007 | |
|---|--|
| Institution | Audit |
| UTARL | Advanced Technology Program/Advanced Research Program Grants Audit |
| UTARL | Mav Express Cash Handling Follow Up Audit |
| UTAUS | Frank C. Erwin, Jr. Special Events Center Revenue Producing Process |
| UTEP | Payroll Tax Reporting |
| UTEP | Change in Management - College of Business Administration |
| UTPA | Office of the Provost |
| UTPA | National Collegiate Athletic Associaton (NCAA) Playing and Practice Seasons |
| UTPA | Advanced Research Program (ARP) Grants |
| UTPB | Annual Financial Report Audit Fiscal Year Ended August 31, 2006 |
| UTSA | Federally Sponsored Programs Compliance Audit |
| UTTY | Texas Administrative Code Section 202 Compliance Audit |
| UTTY | General Securities Control Review |
| UTTY | Office of University Advancement Audit |
| UTSMC - Dallas | Physical Medicine and Rehabilitation Audit |
| UTSMC - Dallas | Dermatology |
| UTSMC - Dallas | Procurement Cards Audit |
| UTSMC - Dallas | Medical Services, Research and Development Plan Annual Financial Review |
| UTSMC - Dallas | Department of Internal Medicine Report |
| UTSMC - Dallas | Affiliated Hospitals Contracts Review |
| UTSMC - Dallas | Southwestern Allied Health Sciences School Faculty Services, Research and Development Plan Annual Financial Review |
| UTSMC - Dallas | Expenditures for Advanced Research Program and Advanced Technology Program Grants |
| UTSMC - Dallas | Hourly Payroll Audit Report |
| UTSMC - Dallas | Otolaryngology, Head and Neck Surgery Department |
| UTMB - Galveston | Primary Care Residency Program Audit |
| UTMB - Galveston | Compliance Review of State Advanced Research and Advanced Technology Program (ARP/ATP) Grants |
| UTHSC - Houston | Department of Dermatology |
| UTHSC - Houston | Texas Administrative Code Section 202 Compliance Audit |
| UTHSC - Houston | Follow-Up on Open Recommendations |
| UTHSC - Houston | Change in Management - Neurology Report |
| UTHSC - San Antonio | Department of Surgery Internal Control Review |
| UTHSC - San Antonio | Information Technology Planning and Financial Management |
| UTHSC - San Antonio | Protection of Social Security Numbers |
| UTHSC - San Antonio | Anesthesiology - Internal Control Review |
| UTMDACC - Houston | PeopleSoft Human Resource Management System Application |
| UTMDACC - Houston | Outpatient Charge Capture Reconciliation Process |
| UTMDACC - Houston | Physicians Referral Service Non-salary Expenditures |
| UTMDACC - Houston | Laboratory Informatics Review |
| UTMDACC - Houston | Construction Processes Development Department Relocation Review |
| UTHC - Tyler | Medical Services, Research and Development Plan Annual Financial Report Audit Fiscal Year Ended 8/31/2006 |
| UTSYS ADM | Texas Administrative Code Section 202 Compliance Audit |
| UTSYS ADM | Office of the Director of Police Change in Management Audit |
| UTSYS ADM | Aircraft Operations Report |

| STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 3/2007 through 5/2007 | |
|---|---|
| Institution | Audit |
| UTMB - Galveston | An Audit Report on Correctional Managed Health Care Funding Requirements |
| UTSMC - Dallas | |
| UTMB - Galveston | An Audit Report on Performance Measures at the Board of Examiners of Psychologists |
| UTHSC - San Antonio | |
| UTSMC - Dallas | |
| UTMB - Galveston | An Audit Report on Charity Care at Health-Related Institutions |
| UTMDACC - Houston | |
| UTSYS ADM | |
| UTARL | |
| UTAUS | |
| UTD | |
| UTEP | |
| UTPA | |
| UTPB | |
| UTSA | State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2006 |
| UTTY | |
| UTSMC - Dallas | |
| UTMB - Galveston | |
| UTHSC - Houston | |
| UTMDACC - Houston | |
| UTARL | |
| UTAUS | |
| UTB | |
| UTD | |
| UTEP | |
| UTPA | |
| UTPB | |
| UTSA | State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2006 |
| UTSMC - Dallas | |
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Committee Meeting: 8/22/2007

Robert B. Rowling, *Chairman*
John W. Barnhill, Jr.
H. Scott Caven, Jr.
Cyndi Taylor Krier
Colleen McHugh

Board Meeting: 8/23/2007
Austin, Texas

| | Committee Meeting | Board Meeting | Page |
|---|---|----------------------|-------------|
| Convene | 2:30 p.m. <i>Chairman Rowling</i> | | |
| 1. U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 131</i> | 2:30 p.m. Discussion <i>Dr. Kelley</i> | Action | 62 |
| 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report | 2:31 p.m. Report <i>Dr. Kelley</i> | Not on Agenda | 62 |
| 3. U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2007 | 2:35 p.m. Action <i>Mr. Wallace</i> | Action | 72 |
| 4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds | 2:38 p.m. Action <i>Mr. Wallace</i> | Action | 73 |
| 5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008 | 2:41 p.m. Action <i>Dr. Kelley</i> <i>Mr. Wallace</i> | Action | 75 |
| 6. U. T. System: Discussion regarding estimated costs associated with the U. T. System-wide common chart of accounts initiative | 2:44 p.m. Discussion <i>Dr. Kelley</i> | Not on Agenda | 78 |
| 7. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds not to exceed \$300,000,000, adoption of Liquidity Resolution, and authorization to complete all related transactions | 2:49 p.m. Action <i>Mr. Aldridge</i> | Action | 80 |
| 8. U. T. System Board of Regents: Amendment to the Regents' <i>Rules and Regulations, Series 70202</i>, concerning the Interest Rate Swap Policy, and adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt | 2:52 p.m. Action <i>Mr. Aldridge</i> | Action | 81 |

| | Committee Meeting | Board Meeting | Page |
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| 9. U. T. System: Approval of aggregate amount of \$102,957,000 of equipment financing for Fiscal Year 2008 and resolution regarding parity debt | 2:55 p.m. Action <i>Mr. Aldridge</i> | Action | 101 |
| 10. U. T. System Board of Regents: Adoption of Eighteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$675,000,000; adoption of a standard provisions resolution; authorization to complete all related transactions; and resolution regarding parity debt | 2:58 p.m. Action <i>Mr. Aldridge</i> | Action | 104 |
| 11. U. T. System Board of Regents: Report on Treasury Working Group | 3:01 p.m. Report <i>Dr. Kelley</i> | Not on Agenda | 106 |
| 12. U. T. System Board of Regents: Approval of amendments to the Allocation Policy for Non-Endowment Funds | 3:08 p.m. Action <i>Dr. Kelley</i> | Action | 108 |
| 13. U. T. System Board of Regents: Investment Reports for the fiscal quarter ended May 31, 2007, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report | 3:12 p.m. Report <i>Mr. Zimmerman</i> | Report | 111 |
| 14. U. T. System Board of Regents: Approval of the Annual Budget, including the capital expenditures budget, and Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO) | 3:17 p.m. Action <i>Mr. Zimmerman</i> | Action | 118 |
| Adjourn | 3:25 p.m. | | |

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 131**

RECOMMENDATION

It is recommended that *Docket No. 131*, beginning on Page Docket - 1, be approved.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

Supplemental Materials: Green pages following the Docket tab at the back of Volume 2 of the Agenda Book.

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

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 63 - 71, and the June Monthly Financial Report. The reports represent the consolidated and individual operating results of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the System-wide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2003 through May 2007. Ratios requiring balance sheet data are provided for Fiscal Year 2002 through Fiscal Year 2006.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the System-wide graphs as well as detail for each individual institution as of June 2007.

Supplemental Materials: June Monthly Financial Report on Pages 37 - 62 of Volume 2.

THE UNIVERSITY OF TEXAS SYSTEM



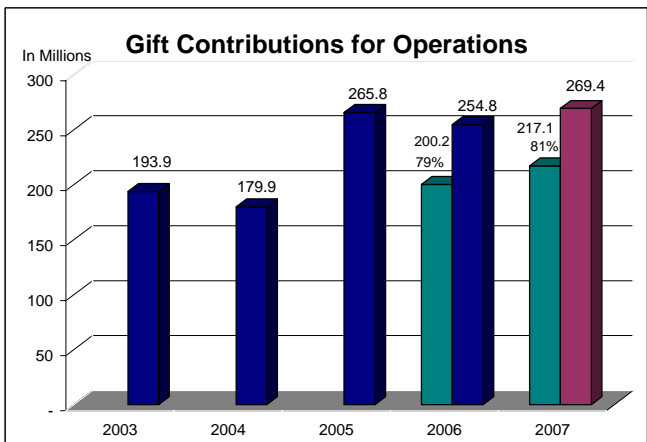
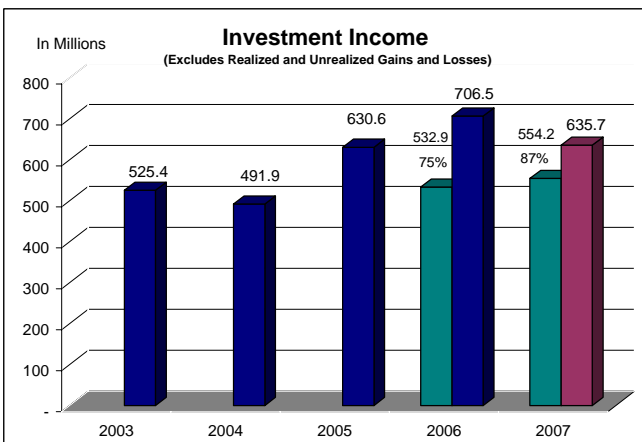
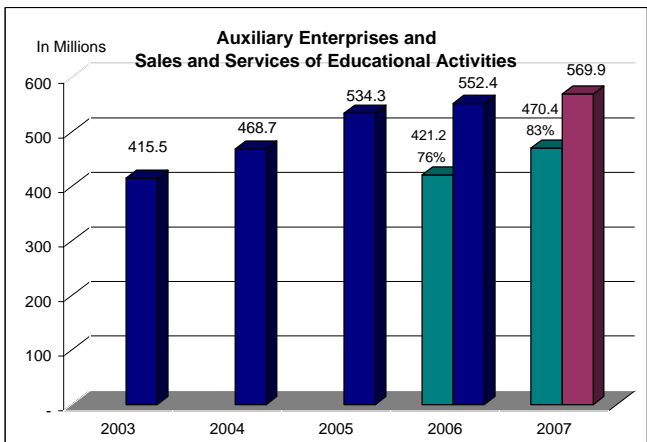
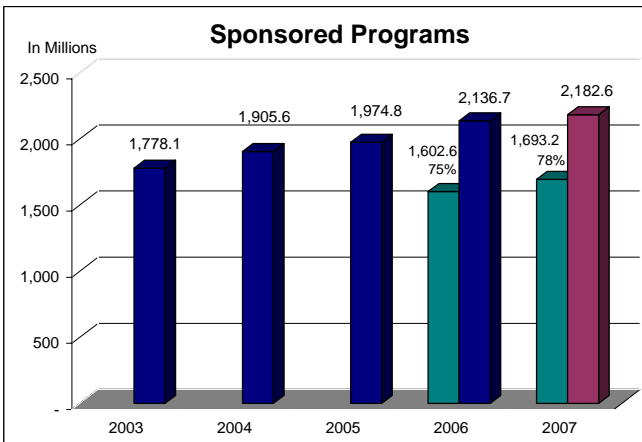
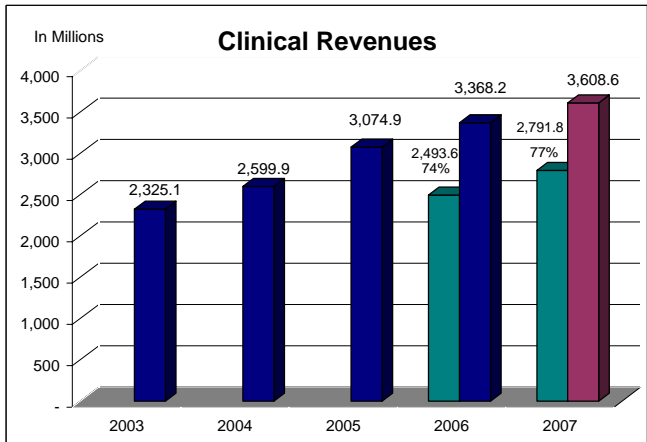
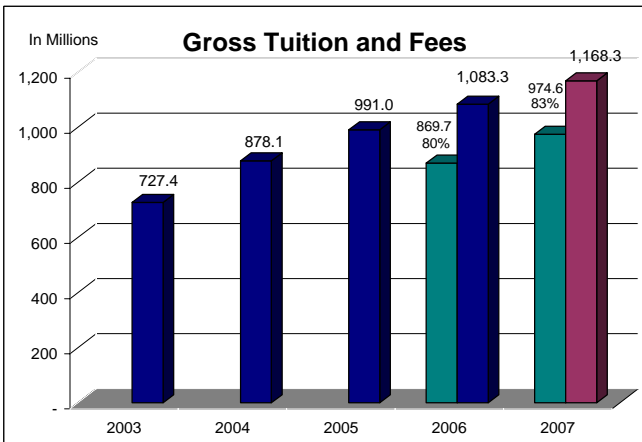
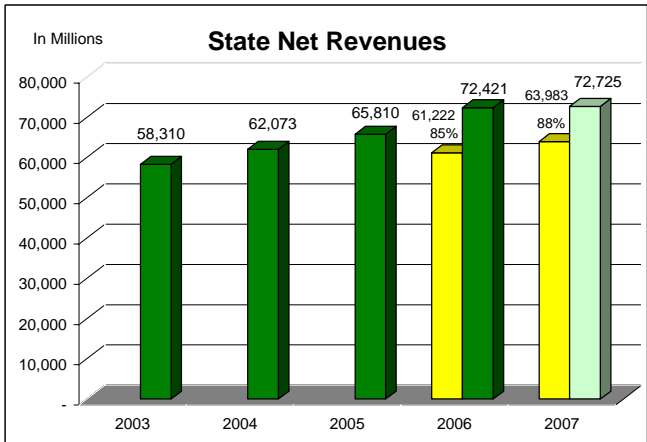
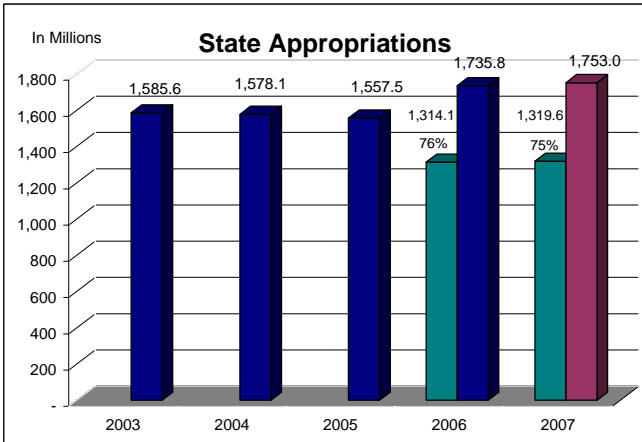
QUARTERLY KEY FINANCIAL INDICATORS REPORT

3RD QUARTER FY 2007

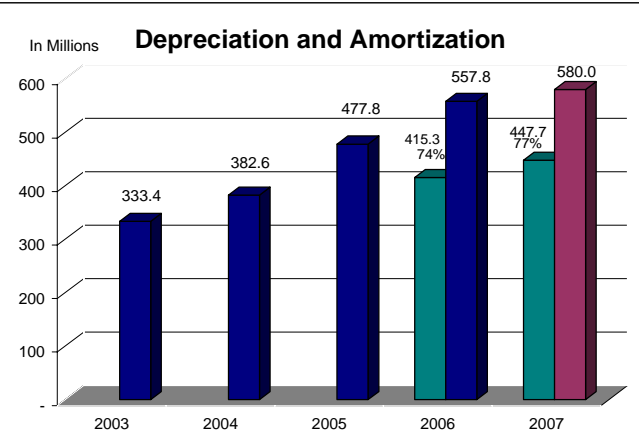
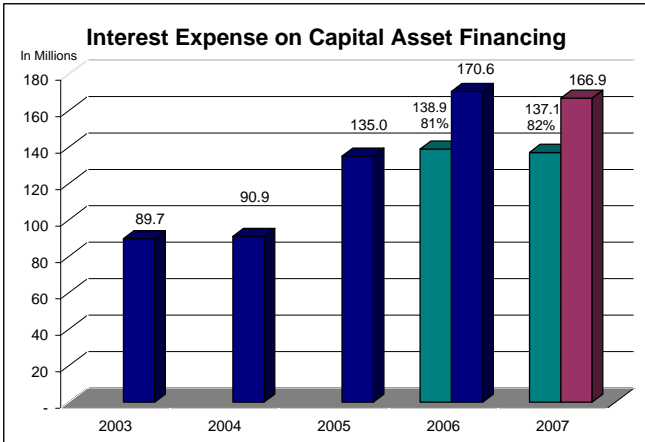
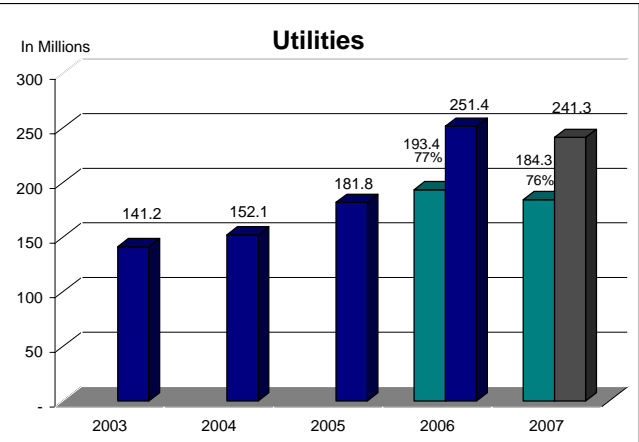
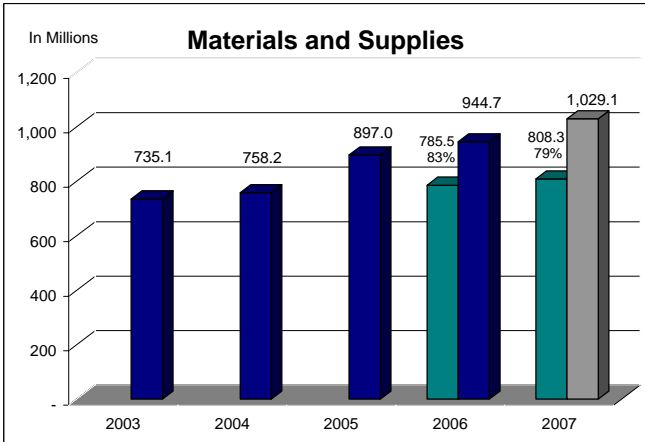
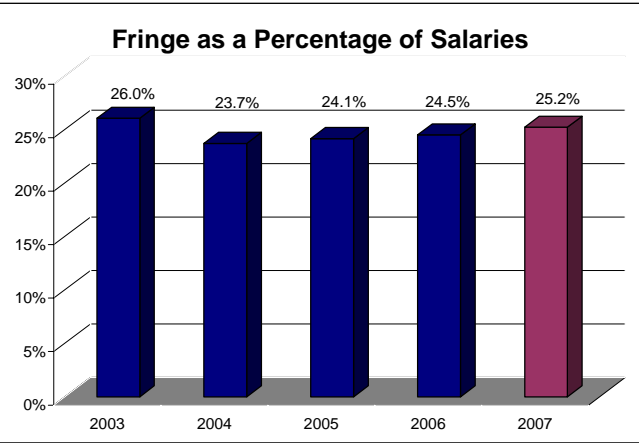
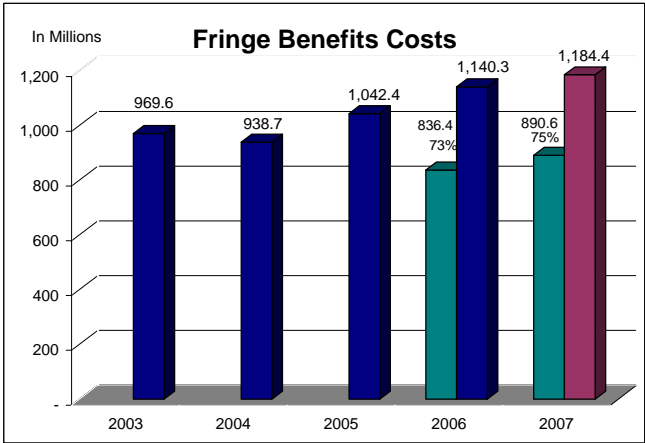
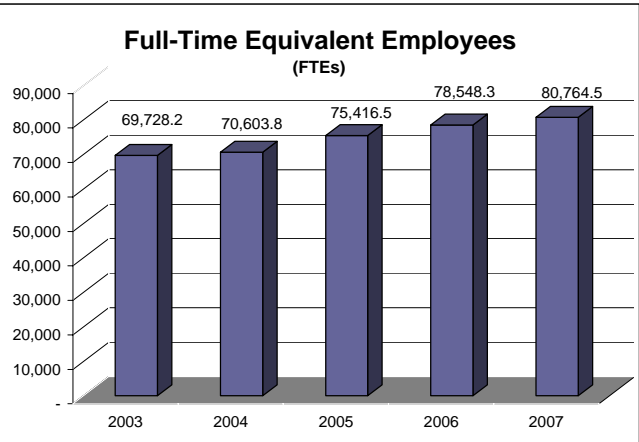
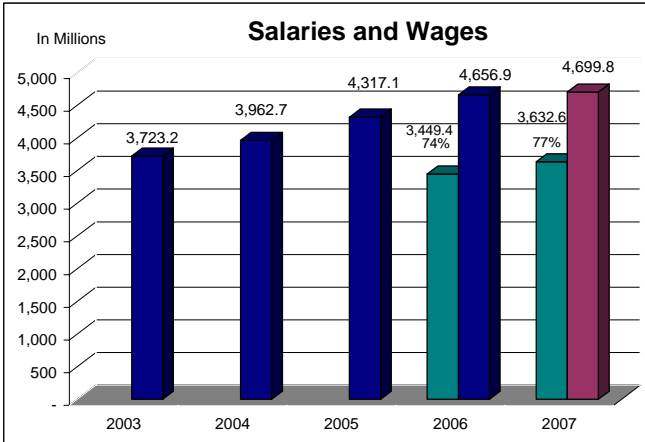
KEY

| | |
|---|--|
|  | Actual 2002 through 2006 amounts (SOURCE: Annual Financial Reports Fiscal Years 2002, 2003, 2004, 2005 and 2006) |
|  | 2007 Budget amounts (SOURCE: Operating Budget Summary 2007) |
|  | Projected 2007 amounts (trend based on the average change of the previous four years of data) |
|  | Monthly Financial Report Year to Date amounts for May 2006 and May 2007 |
|  | Annual State Net Revenue Collections for 2002, 2003, 2004, 2005 and 2006 (SOURCE: Texas Revenue History by Source 1978-2006, State Comptroller's Office) |
|  | Year to Date State Net Revenue Collections for May 2006 and May 2007 (SOURCE: State Comptroller's Office) |
|  | Estimated State Revenue Collections for 2007 (SOURCE: Revenue Estimate for the 79th Legislature 3rd Called Session, April 2006, State Comptroller's Office) |
|  | 2002, 2003, 2004, 2005 & 2006 Annual Average of FTEs, and Average of 1st, 2nd, & 3rd Quarter 2007 FTEs (SOURCE: State Auditor's Office Quarterly FTE Report) |
|  | Year to Date margin for June 2007 (SOURCE: Monthly Financial Report for June 2007) |
|  | Projected 2007 (SOURCE: Monthly Financial Report Year- End Projections collected June 2007) |
|  | Year to Date margin for June 2006 (SOURCE: Monthly Financial Report for June 2007) |
|  | Target Normalized Rates |
|  | Aaa/Aa1 Median (SOURCE: Moody's) |
|  | A2 Median (SOURCE: Moody's) |
|  | Fair Facilities Condition Index (5% - 10%) |
|  | Good Facilities Condition Index (Exceeds 10%) |

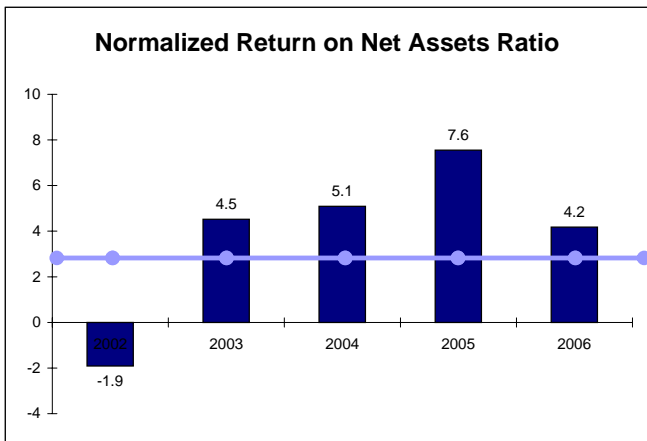
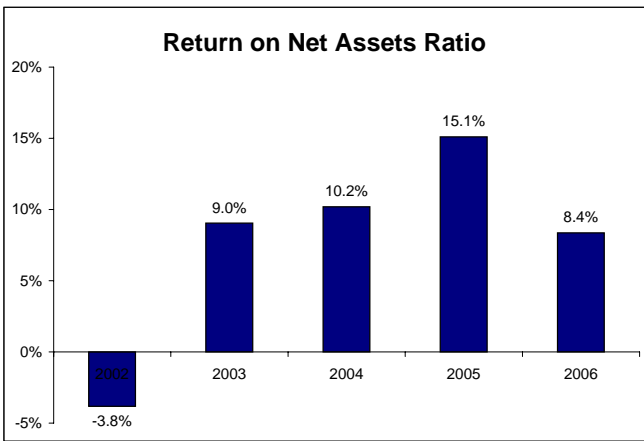
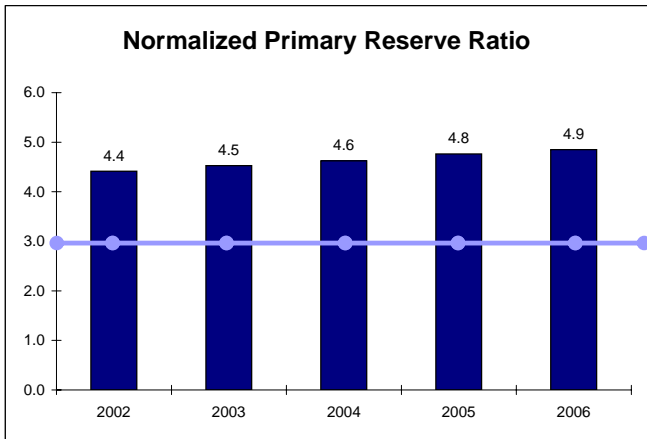
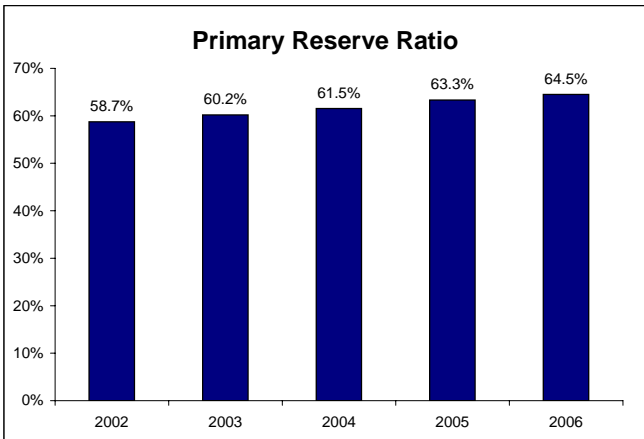
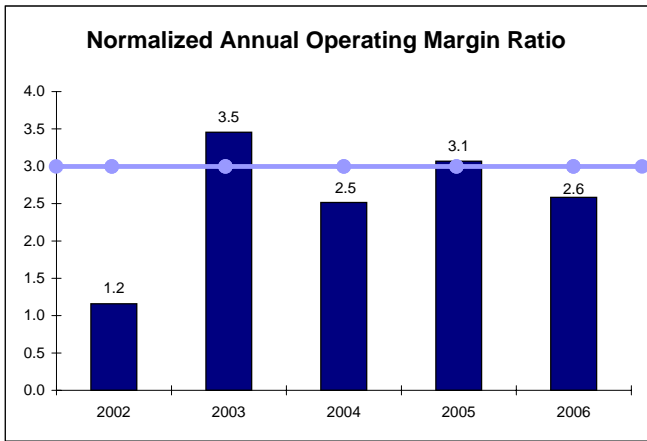
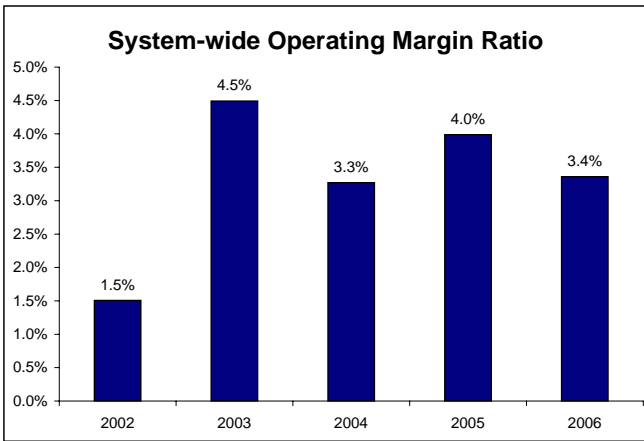
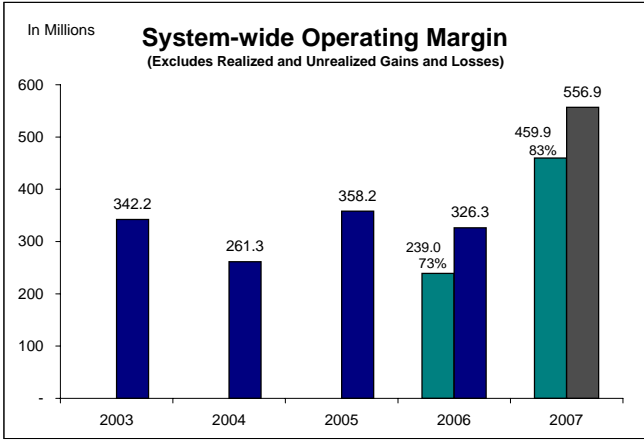
**KEY INDICATORS OF REVENUES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM MAY MONTHLY FINANCIAL REPORT**



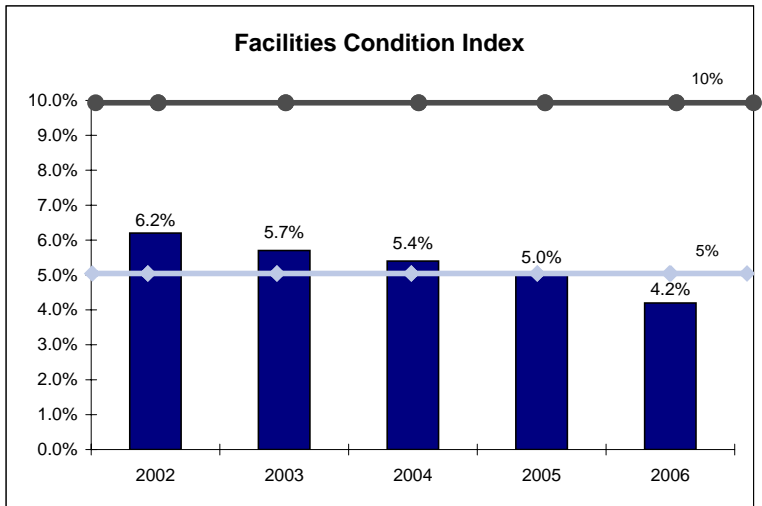
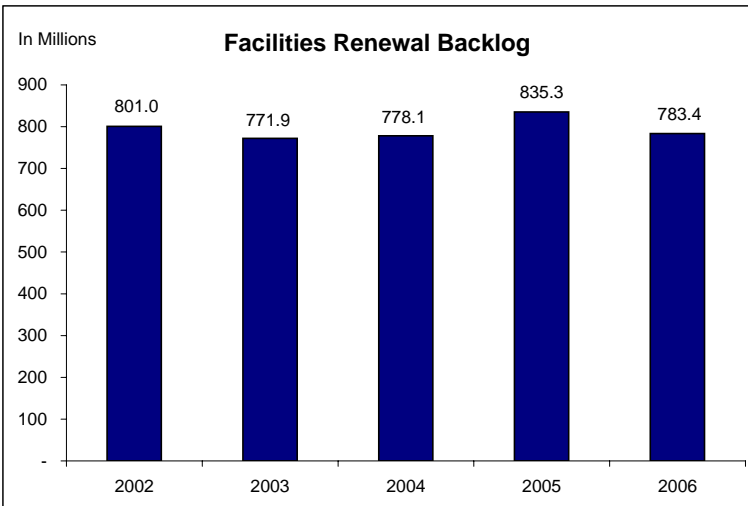
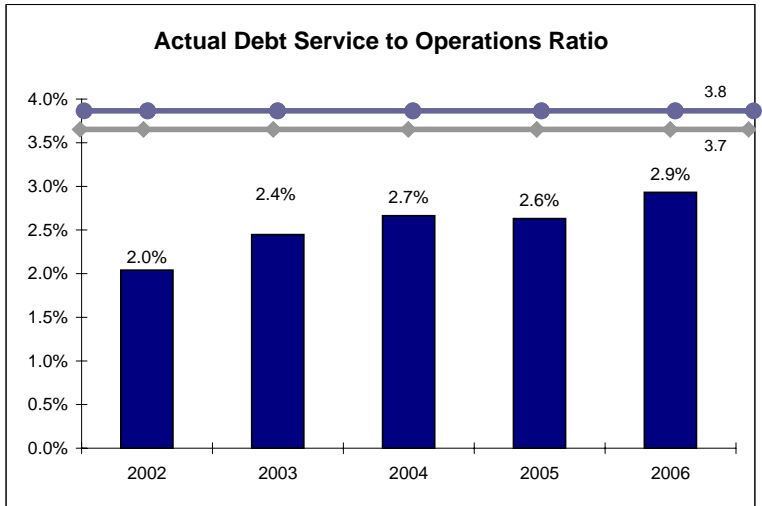
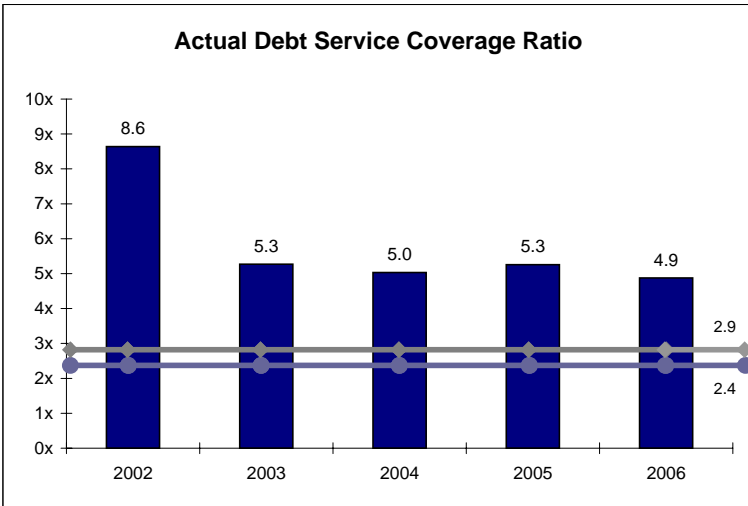
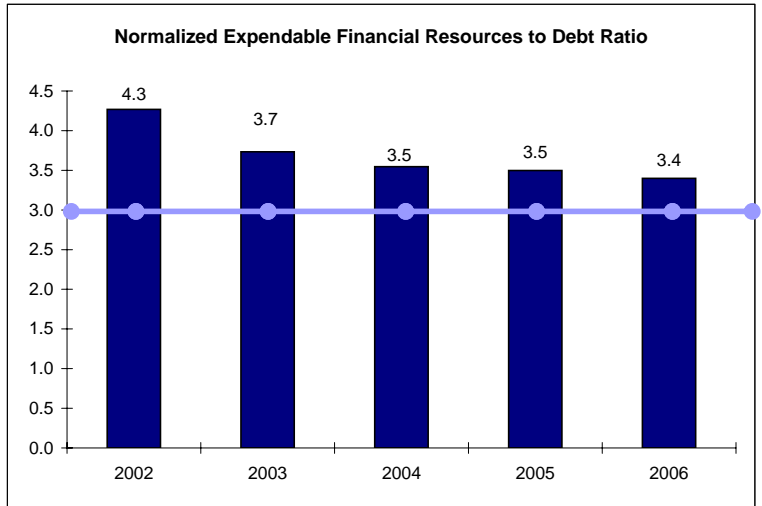
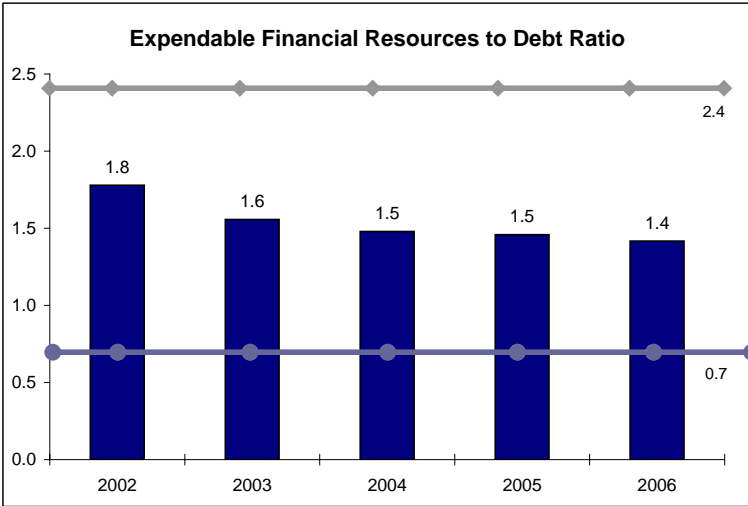
KEY INDICATORS OF EXPENSES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM MAY MONTHLY FINANCIAL REPORT



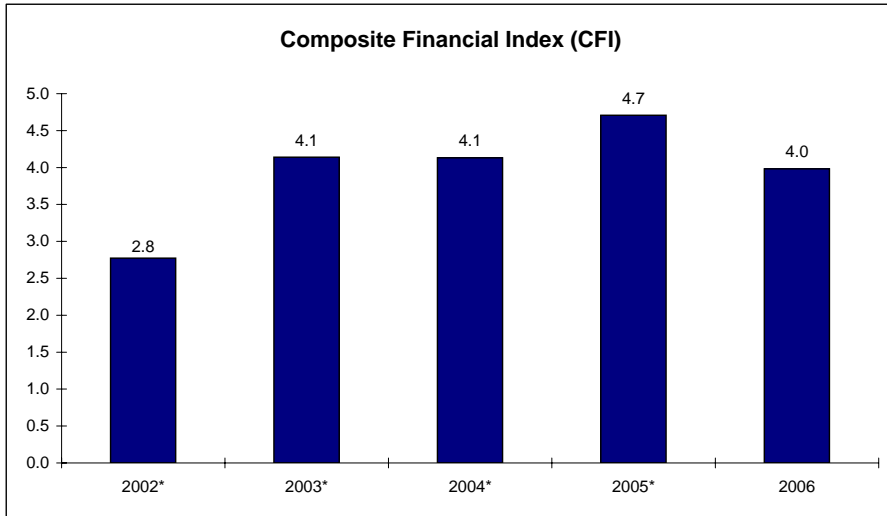
**KEY INDICATORS OF RESERVES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM MAY MONTHLY FINANCIAL REPORT**



KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2002 THROUGH 2006

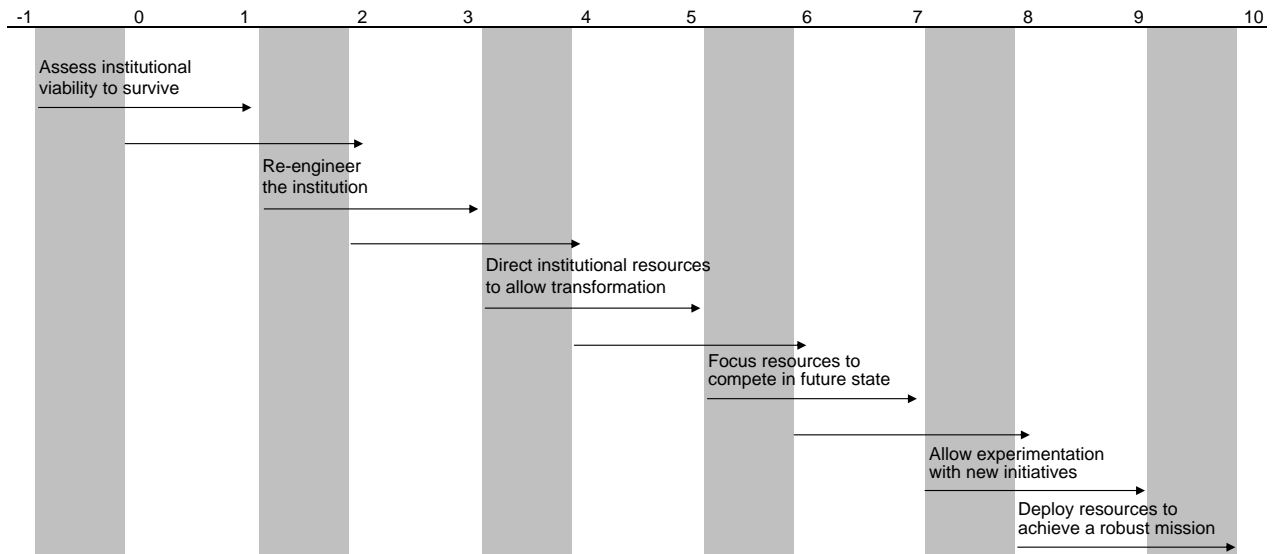


KEY INDICATORS OF FINANCIAL HEALTH 2002 THROUGH 2006



*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit. Permanent University Fund Appreciation Restatements are not included above.

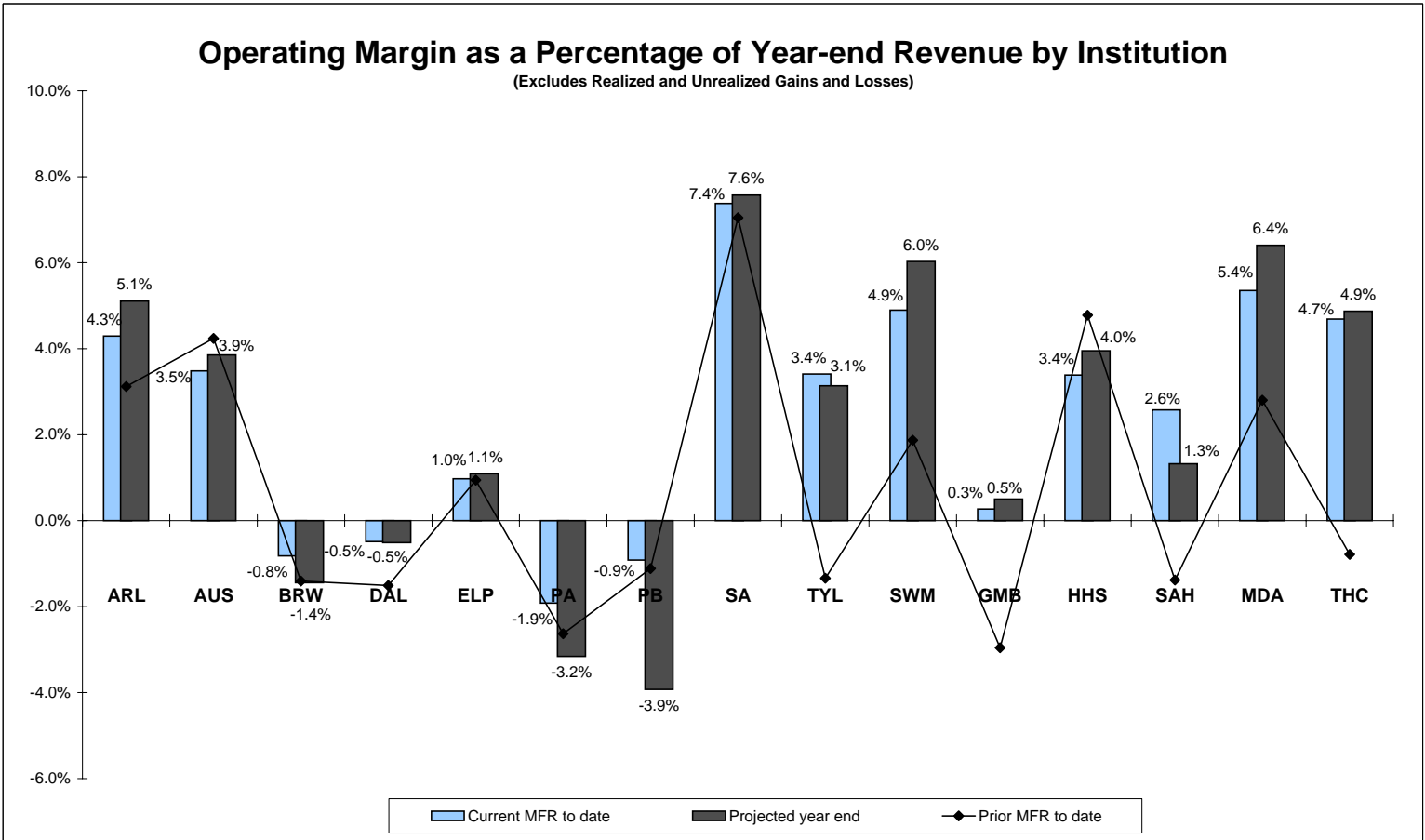
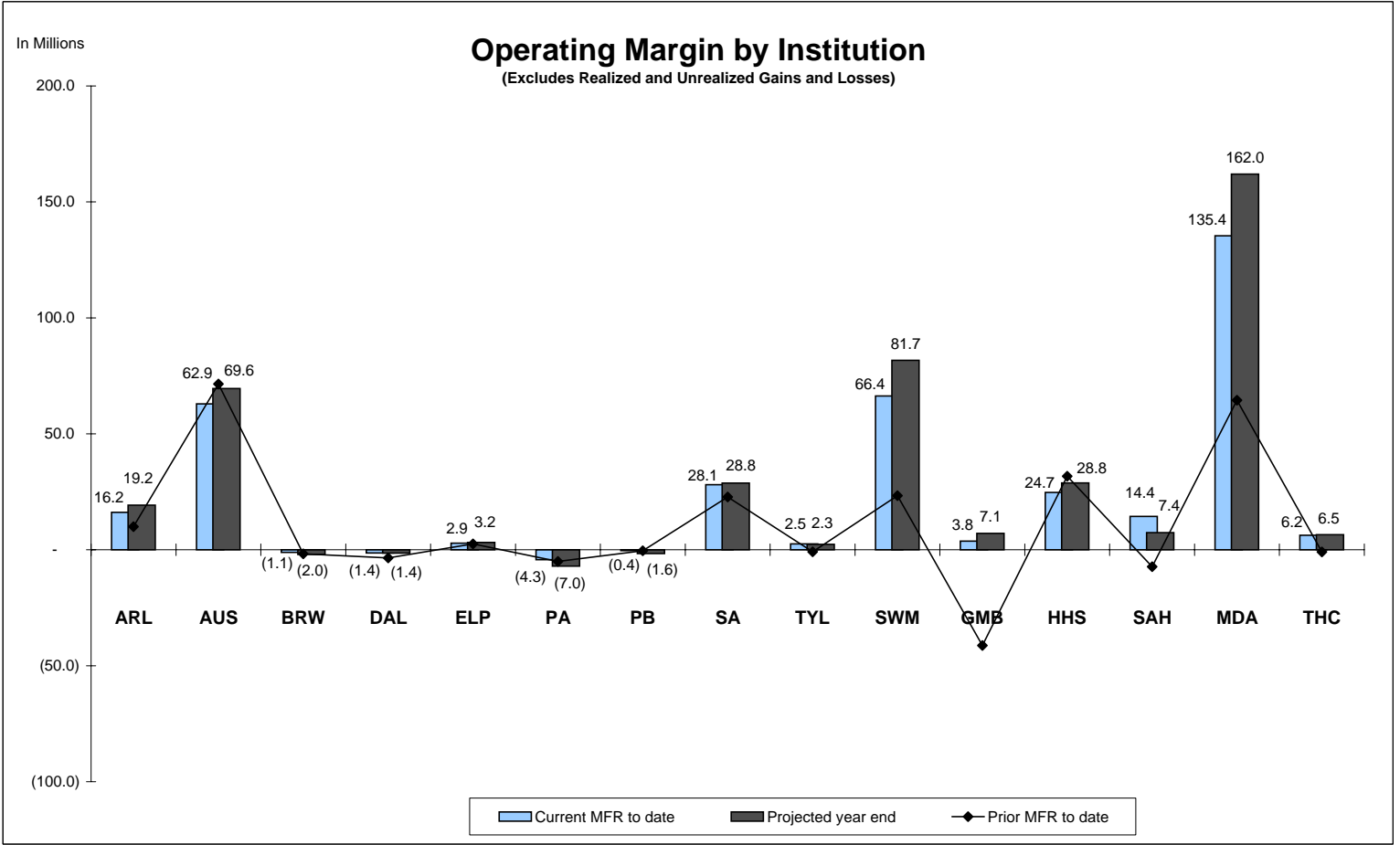
Scale for Charting CFI Performance



KEY INDICATORS OF RESERVES

YEAR TO DATE 2006 AND 2007 FROM JUNE MONTHLY FINANCIAL REPORT

PROJECTED 2007 YEAR-END MARGIN



3. **U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2007**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and presidents of the U. T. System institutions, recommends that the U. T. System Board of Regents adopt the resolution that follows to provide for the most effective utilization of General Revenue Appropriations during the biennium beginning September 1, 2007.

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 80th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Informational Items of Appropriation) from the General Revenue Fund as authorized by the Chief Financial Officer of each entity as follows:

- The University of Texas at Arlington
- The University of Texas at Austin
- The University of Texas at Brownsville
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas - Pan American
- The University of Texas of the Permian Basin
- The University of Texas at San Antonio
- The University of Texas at Tyler
- The University of Texas Southwestern Medical Center at Dallas
- The University of Texas Medical Branch at Galveston
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio
- The University of Texas M. D. Anderson Cancer Center
- The University of Texas Health Center at Tyler
- The University of Texas System Administration

BACKGROUND INFORMATION

This resolution is a standard action by the U. T. System Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Act, Article III, Section 4, enacted by the 80th Texas Legislature.

4. **U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the affected U. T. System institutions that the U. T. System Board of Regents approve allowing those institutions, as set forth in the table on Page 74, to exceed the number of full-time equivalent (FTE) employees paid from appropriated funds for Fiscal Year 2008 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.10 of the General Appropriations Act, it is recommended that the U. T. System Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

Supplemental Materials: Detailed justification information on Pages 63 - 65 of Volume 2.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. To exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

U. T. Austin, U. T. Dallas, U. T. Pan American, U. T. Permian Basin, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, and U. T. Health Center - Tyler will be under the FTE cap and are not requesting to exceed the FTE limitation.

The University of Texas System
Request to Exceed Full-time Equivalent Limitation on Employees Paid From Appropriated Funds
For Period September 1, 2007 through August 31, 2008

Request to Exceed Cap - by NACUBO Function

| | <u>Faculty</u> | <u>Staff</u> | <u>Total</u> |
|-------------------------------------|----------------|-----------------|-----------------|
| Instruction | 513.16 | 239.17 | 752.33 |
| Academic Support | - | 9.80 | 9.80 |
| Research | 80.52 | 172.72 | 253.24 |
| Public Service | 1.70 | 3.66 | 5.36 |
| Hospitals and Clinics | 33.35 | 731.23 | 764.58 |
| Institutional Support | - | 135.46 | 135.46 |
| Student Support | - | 29.67 | 29.67 |
| Operations and Maintenance of Plant | - | 351.59 | 351.59 |
| Scholarships and Fellowships | - | 1.25 | 1.25 |
| Total | <u>628.73</u> | <u>1,674.55</u> | <u>2,303.28</u> |

Request to Exceed Cap - by Institution

| | <u>FY 2008 Cap</u> | <u>Request to Exceed Cap</u> | | |
|---|--------------------|------------------------------|-----------------|-----------------|
| | | <u>Faculty</u> | <u>Staff</u> | <u>Total</u> |
| U. T. Arlington | 2,247.90 | 10.00 | - | 10.00 |
| U. T. Austin | 6,619.10 | - | - | - |
| U. T. Brownsville | 554.00 | 128.17 | 153.05 | 281.22 |
| U. T. Dallas | 1,322.60 | - | - | - |
| U. T. El Paso | 1,797.90 | 17.50 | 12.50 | 30.00 |
| U. T. Pan American | 1,896.10 | - | - | - |
| U. T. Permian Basin | 306.40 | - | - | - |
| U. T. San Antonio | 2,041.00 | 36.20 | 1.30 | 37.50 |
| U. T. Tyler | 481.80 | 18.61 | 17.30 | 35.91 |
| Total Academic Institutions | <u>17,266.80</u> | <u>210.48</u> | <u>184.15</u> | <u>394.63</u> |
| U. T. Southwestern Medical Center | 1,240.10 | 373.40 | 401.70 | 775.10 |
| U. T. Medical Branch - Galveston | 5,534.70 | - | - | - |
| U. T. Health Science Center - Houston | 1,869.60 | - | - | - |
| U. T. Health Science Center - San Antonio | 2,516.70 | - | - | - |
| U. T. M. D. Anderson Cancer Center | 11,947.20 | 44.85 | 1,078.70 | 1,123.55 |
| U. T. Health Center - Tyler | 740.70 | - | - | - |
| Total Health Institutions | <u>23,849.00</u> | <u>418.25</u> | <u>1,480.40</u> | <u>1,898.65</u> |
| U. T. System Administration | 249.00 | - | 10.00 | 10.00 |
| U. T. System Total | <u>41,364.80</u> | <u>628.73</u> | <u>1,674.55</u> | <u>2,303.28</u> |

* U. T. Austin, U. T. Dallas, U. T. Pan American, U. T. Permian Basin, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, and U. T. Health Center - Tyler will not exceed their cap.

NACUBO - National Association of College and University Business Officers

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2008

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Administration that the U. T. System Board of Regents approve the Optional Retirement Program (ORP) employer contribution rates for Fiscal Year 2008 as follows:

- a. 8.5% for all institutions and U. T. System Administration with respect to employees who participated in the ORP prior to September 1, 1995; and
- b. for all other employees, an employer contribution rate as recommended by each institution and set forth on Page 77.

Supplemental Materials: Institution ORP Rate Surveys on Pages 66 - 81 of Volume 2.

BACKGROUND INFORMATION

Prior to September 1, 1995, the ORP employer contribution rate was 8.5% for all ORP participants. An enactment by the 74th Texas Legislature reduced ORP employer contributions to participants from 8.5% to 6.0%, effective September 1, 1995. However, U. T. System was permitted to "grandfather" those employees participating in the ORP during the 1994-95 biennium. This resulted in a two-tiered ORP employer contribution rate for U. T. System employees: those who participated in ORP during the 1994-95 biennium continued to receive 8.5%, while those who did not participate during the 1994-95 biennium received 6.0%.

The 78th Texas Legislature enacted *Texas Government Code*, Section 830.2015, which expanded the definition of a grandfathered employee from one who had participated during the 1994-95 biennium to one who had participated in ORP prior to September 1, 1995. The legislation also granted permissive authority for institutions of higher education to set the ORP employer contribution rate for grandfathered and nongrandfathered participants at any percentage level between the amount appropriated by the State and 8.5%. In the General Appropriations Act, the 80th Legislature has increased the appropriated rate from 6.0% to 6.58% for the 2008-09 biennium. It is not required that the rate be the same for grandfathered employees nor that the rate be the same for all U. T. System institutions.

Given the diversity of the U. T. System institutions and the differential budget impact for each institution, each institutional president was asked to propose its ORP employer contribution rates for grandfathered and nongrandfathered participants as noted in the chart on Page 77.

- For Fiscal Year 2008, with respect to grandfathered employees hired prior to September 1, 1995, all U. T. System institutions elected to continue the current 8.5% employer contribution rate.
- For nongrandfathered participants hired after September 1, 1995, five institutions (U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. Pan American, and U. T. Southwestern Medical Center - Dallas) have proposed to increase the ORP employer contribution rate from the rate established by the Board for Fiscal Year 2007.
- Of the five, U. T. Arlington recommends an increase in the contribution rate from 6.5% to 7.0% while the remaining four propose an increase in the contribution rate from 7.0% to 7.5%.
- Six institutions (U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, U. T. Medical Branch - Galveston, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler) and U. T. System Administration will continue the contribution rate of 8.5% as approved by the Board for Fiscal Year 2007.
- The remaining institutions (U. T. Brownsville, U. T. El Paso, U. T. Health Science Center - Houston, and U. T. Health Science Center - San Antonio) will adopt the rate of 6.58% as established by the legislature.

The governing board of an institution of higher education has the authority to set the ORP employer contribution rates in accordance with rules issued by the Texas Higher Education Coordinating Board. Under those rules, the governing board is to determine the employer contribution rates once per year, to be effective for the entire year. All institutions plan to implement the employer contribution rates effective September 1, 2007, with the exception of U. T. Austin. Because of the number of employees this will impact and the required analysis of each individual's tax deferrals to ensure compliance with the *Internal Revenue Code*, U. T. Austin proposes implementation of the new employer contribution rate change beginning with paychecks issued on or after January 1, 2008.

Approval of this Agenda Item will authorize all U. T. System institutions with the exception of U. T. Austin to implement the ORP employer contribution rates on September 1, 2007, and authorize U. T. Austin to implement beginning with paychecks issued on or after January 1, 2008.

**The University of Texas System
FY 2008 Optional Retirement Program Contribution Rates**

| Grandfathered Employees | 2007 Approved Rate | 2008 Proposed Rate | 2008 Participants | 2008 Total Cost | Cost Above 6.58% |
|--|-----------------------------------|-----------------------------------|------------------------------|----------------------------|-----------------------------|
| U. T. Arlington | 8.50% | 8.50% | 437 | 3,381,723 | 763,805 |
| U. T. Austin* | 8.50% | 8.50% | 1,361 | 16,243,713 | 3,669,168 |
| U. T. Brownsville | 8.50% | 8.50% | 136 | 779,551 | 176,087 |
| U. T. Dallas | 8.50% | 8.50% | 201 | 1,806,730 | 408,320 |
| U. T. El Paso | 8.50% | 8.50% | 248 | 1,606,745 | 362,935 |
| U. T. Pan American | 8.50% | 8.50% | 165 | 1,029,832 | 232,621 |
| U. T. Permian Basin | 8.50% | 8.50% | 33 | 220,991 | 49,918 |
| U. T. San Antonio | 8.50% | 8.50% | 290 | 2,111,436 | 476,936 |
| U. T. Tyler | 8.50% | 8.50% | 94 | 590,498 | 133,383 |
| U. T. Southwestern Medical Center - Dallas | 8.50% | 8.50% | 498 | 7,596,696 | 1,715,959 |
| U. T. Medical Branch - Galveston | 8.50% | 8.50% | 1,126 | 8,400,462 | 1,897,516 |
| U. T. Health Science Center - Houston | 8.50% | 8.50% | 472 | 5,930,470 | 1,339,589 |
| U. T. Health Science Center - San Antonio | 8.50% | 8.50% | 481 | 5,343,391 | 1,206,978 |
| U. T. M. D. Anderson Cancer Center | 8.50% | 8.50% | 511 | 9,590,842 | 2,166,401 |
| U. T. Health Center - Tyler | 8.50% | 8.50% | 44 | 448,479 | 101,303 |
| U. T. System Administration | 8.50% | 8.50% | 34 | 381,630 | 86,203 |
| TOTAL | | | 6,131 | \$ 65,463,189 | \$ 14,787,122 |

| Nongrandfathered Employees | 2007 Approved Rate | 2008 Proposed Rate | 2008 Participants | 2008 Total Cost | Cost Above 6.58% |
|--|-----------------------------------|-----------------------------------|------------------------------|----------------------------|-----------------------------|
| U. T. Arlington | 6.50% | 7.00% | 345 | 1,784,077 | 150,000 |
| U. T. Austin* | 7.00% | 7.50% | 1,390 | 8,784,550 | 1,077,572 |
| U. T. Brownsville | 6.00% | 6.58% | 154 | 576,566 | - |
| U. T. Dallas | 7.00% | 7.50% | 315 | 2,531,030 | 311,315 |
| U. T. El Paso | 6.00% | 6.58% | 405 | 1,708,487 | - |
| U. T. Pan American | 7.00% | 7.50% | 243 | 1,162,091 | 142,549 |
| U. T. Permian Basin | 8.50% | 8.50% | 73 | 358,324 | 80,939 |
| U. T. San Antonio | 8.50% | 8.50% | 412 | 2,264,209 | 511,445 |
| U. T. Tyler | 8.50% | 8.50% | 159 | 886,448 | 200,233 |
| U. T. Southwestern Medical Center - Dallas | 7.00% | 7.50% | 1,275 | 10,483,118 | 1,285,929 |
| U. T. Medical Branch - Galveston | 8.50% | 8.50% | 617 | 7,726,608 | 1,745,304 |
| U. T. Health Science Center - Houston | 6.00% | 6.58% | 650 | 5,894,180 | - |
| U. T. Health Science Center - San Antonio | 6.00% | 6.58% | 650 | 5,195,761 | - |
| U. T. M. D. Anderson Cancer Center | 8.50% | 8.50% | 949 | 14,065,343 | 3,177,113 |
| U. T. Health Center - Tyler | 8.50% | 8.50% | 44 | 992,931 | 197,277 |
| U. T. System Administration | 8.50% | 8.50% | 40 | 478,637 | 108,114 |
| TOTAL | | | 7,721 | \$ 64,892,360 | \$ 8,987,790 |

*U. T. Austin will implement on 1/1/2008.

6. **U. T. System: Discussion regarding estimated costs associated with the U. T. System-wide common chart of accounts initiative**

PURPOSE

Executive Vice Chancellor Kelley will discuss the U. T. System-wide common chart of accounts initiative, including engaging Alvarez & Marsal, a global professional services firm, to assist in developing a common chart of accounts to facilitate improved consolidated System-wide financial reporting.

There are two phases proposed for this initiative: the Planning Phase and the Delivery Phase. Due to the estimated costs of the Delivery Phase, it is important to focus on the initiative in its entirety when discussing this recommendation.

This recommendation relates to the Planning Phase and is made with the intent that the actions proposed be designed and implemented by a U. T. System-wide working group consisting of staff from the U. T. System Office of the Controller and accounting and information technology management professionals from several U. T. System institutions assigned by the Executive Vice Chancellor for Business Affairs. The working group would be supplemented by the outside consultant to assist with identifying implementation strategies and specifications.

The Executive Vice Chancellor for Business Affairs will report to the Finance and Planning Committee of the Board after the Planning Phase to seek approval of a specific plan for implementation.

Dr. Kelley will discuss the proposed scope of the Planning Phase and a roadmap for the Planning and Delivery Phases.

Supplemental Materials: Project Roadmap and Chart of Project Cost on Pages 82 - 83 of Volume 2.

BACKGROUND INFORMATION

The Management Letter related to the 2005 U. T. System-wide Consolidated Financial Statements audit contained an observation that the process of creating consolidated financial statements by physically combining the data from the institutions into a complex spreadsheet is prone to errors, does not provide an audit trail, and makes generating interim financials for management purposes more burdensome. To address this observation, the Executive Vice Chancellor for Business Affairs formed a Common Chart of Accounts Ad Hoc Committee with representatives from U. T. System Administration, U. T. Austin, U. T. Southwestern Medical Center - Dallas, and U. T. M. D. Anderson Cancer Center. The Committee was charged with developing an action plan for developing a common chart of accounts for consolidated reporting purposes.

Alvarez & Marsal, a professional services firm, was selected through a competitive bid process to provide consulting services for U. T. M. D. Anderson Cancer Center for a similar project involving an accounting key design. A representative from U. T. System Administration and a member of the Ad Hoc Committee attended the presentations of the finalists in that process. After discussing the credentials of Alvarez & Marsal and an overview of their strategy and approach for the U. T. System initiative, the Common Chart of Accounts Ad Hoc Committee met with representatives of the firm to outline and further define the objectives of the project.

The Planning Phase will include a review and analysis of the reporting process resulting in a gap assessment and documentation of functional and technical requirements. A project work plan will be developed for fully implementing the initiative. A model chart of accounts and data model will be developed for use in vendor selection and evaluation criteria for a financial reporting software provider. The final step in the Planning Phase will be a project plan with an overall cost estimate for the Delivery Phase. This would include software licensing and maintenance, hardware, and consulting fees for project management and business process design. The consulting fees would include full testing and deployment of the system, change management, and training the users. Alvarez & Marsal's estimate at this time for the Delivery Phase, without the benefit and knowledge gained from having performed the Planning Phase, ranges from \$2.045 to \$3.305 million with a median of \$2.675 million.

The main objective of harmonizing the charts of accounts is to speed the consolidation, closing, and reporting cycles by reducing the amount of manual work required for their completion. Other benefits include greater transparency and limiting the chance of fraud and errors that are the inevitable by-product of any manual system. The direct expense of having to maintain dissimilar charts of accounts is the extra time required to roll up and consolidate the periodic results. Indirect costs include lags in getting critical business information to management, limited transparency, lack of accountability, and distorted measurements of operating results.

The Ad Hoc Committee believes that developing a common chart of accounts will facilitate improved reporting and controls. Further, it will ultimately boost efficiency by providing faster, streamlined report processing in a consistent manner, resulting in more informed decision-making. The common chart of accounts will also provide a basis for institutions to use when changing or developing their accounting systems.

The cost of the Planning Phase is estimated at \$549,380. The project will ultimately have an estimated cost of approximately \$3.5+ million. This is a best-guess estimate at this stage and is without the benefit and knowledge the consultants will gain from having performed the Planning Phase.

Due to the extensive amount of time the project will require from the accounting staffs throughout the U. T. System, it will be necessary to time the project around the deadlines associated with the annual financial report. The project will be completed in Fiscal Year 2009 with reporting capabilities to begin in Fiscal Year 2010.

7. **U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds not to exceed \$300,000,000, adoption of Liquidity Resolution, and authorization to complete all related transactions**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund Bonds in one or more installments in an aggregate principal amount not to exceed \$300,000,000 to be used to refund certain outstanding Permanent University Fund Bonds, to refund all or a portion of the then outstanding Permanent University Fund Flexible Rate Notes, Series A, to provide new money to fund construction and acquisition costs and to pay the costs of issuance;
- b. adopt a Liquidity Resolution, substantially in the form previously approved by the U. T. System Board of Regents, covenanting to provide internal liquidity support for certain Permanent University Fund Bonds issued by the U. T. System and authorizing amendments to the Security Purchase Agreement with The University of Texas Investment Management Company (UTIMCO), relating to the U. T. System's variable rate note and bond programs; and
- c. authorize appropriate officers and employees of U. T. System as set forth in the resolutions to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

Adoption of the Resolution would authorize the advance or current refunding of a portion of certain outstanding Permanent University Fund (PUF) Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding

bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

As provided in the Resolution, the potential bonds to be refunded include the outstanding PUF Bonds, Series 1997, Series 2002A, Series 2004A&B, Series 2005A&B, and Series 2006A-C.

The Resolution would also authorize the current refunding of all or a portion of the PUF Flexible Rate Notes, Series A. The PUF Flexible Rate Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing. The Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

Proceeds from the Bonds related to refunding outstanding debt will be used to purchase U.S. government or other eligible securities to be placed in one or more escrow accounts. Proceeds from the escrowed securities will be used to redeem the refunded bonds and the refunded Flexible Rate Notes.

On November 10, 2005, the U. T. System Board of Regents adopted a resolution covenanting to use lawfully available funds to purchase certain PUF notes and RFS variable rate debt obligations in the event these obligations could not be remarketed. Adoption of the proposed Liquidity Resolution would expand liquidity provided from lawfully available funds of the U. T. System Board of Regents to include variable rate PUF Bonds.

The proposed resolutions have been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed resolutions are available online at <http://www.utsystem.edu/bor/AgendaBook/Aug07/8-22&23-07Meetingpage.htm>.

8. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Series 70202, concerning the Interest Rate Swap Policy, and adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 70202, concerning the Interest Rate Swap Policy, be amended as reflected in congressional style on Pages 84 - 90.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt resolutions substantially in the form set out on Pages 91 - 100 (the Resolutions) authorizing appropriate officers of the U. T. System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the amended U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

BACKGROUND INFORMATION

Regents' *Rules and Regulations*, Series 70202, concerning the Interest Rate Swap Policy, was approved by the U. T. System Board of Regents on February 13, 2003.

Prior to the passage of Senate Bill 968 by the 80th Legislature, the U. T. System Board of Regents executed interest rate swap agreements related to its RFS debt under general authority provided to various state and local issuers under *Texas Government Code*, Chapter 1371. Additionally, while the U. T. System Board of Regents has had specific legislative authority to execute swaps since 1985, it did not have specific authority to make payments under interest rate swap agreements related to PUF debt from Available University Fund (AUF) monies. During the 80th Legislative Session, various U. T. System staff worked with members of the Legislature on Senate Bill 968, which modernizes the statutory authority governing interest rate swaps and provides increased flexibility to issuers to better manage risk related to their debt programs.

Included in Senate Bill 968 is the addition of *Texas Education Code* Section 65.461, which provides specific authority to the U. T. System Board of Regents to enter into "bond enhancement agreements," which includes interest rate swaps and related agreements, in connection with administration of the U. T. System's RFS and PUF debt programs.

The proposed swap policy amendments are needed to update the policy to reference the new statutory authority provided to the U. T. System Board of Regents under *Texas Education Code* Section 65.461 to execute bond enhancement agreements related to both RFS and PUF debt, to accommodate changes made to *Texas Government Code*, Chapter 1371 by Senate Bill 968, and to make other nonsubstantive changes.

The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement is a standardized legal agreement for derivative transactions between swap counterparties that contains standardized definitions, terms, and representations governing such transactions. The U. T. System has ISDA Master Agreements in place with six swap counterparties related to RFS debt. The form of the ISDA Master Agreement has been previously approved by the U. T. System Board of Regents and each of these ISDA Master Agreements has been approved by the Texas Attorney General.

Approval of this item would (i) authorize the execution of additional ISDA Master Agreements related to PUF debt in substantially the same form as those previously approved by the U. T. System Board of Regents in connection with RFS debt, and (ii) authorize the execution of confirmations and other agreements to enter into bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing. The Chairman of the Board of Regents and the Chairman of the Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

Note: The form of the PUF ISDA agreement has not been included as part of the agenda materials, but is available upon request.

1. Title

Interest Rate Swap Policy

2. Rule and Regulation

Sec. 1 Authority. Texas Education Code, Chapter 55, including Section 55.13, Texas Education Code, Chapter 65, including Section 65.461, and Texas Government Code, Chapter 1371, including Section 1371.056, authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements swap transactions and related bond enhancement agreements (collectively "swaps"). Pursuant to this authority, the Board of Regents approved the Eighth Supplemental Resolution to the Master Resolution, authorizing the System to enter into Master Swap Agreements with certain counterparties, in 1999.

Sec. 2 Purpose. This policy will govern the use of by the U. T. System of interest rate swaps transactions in connection with the U. T. System's management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs for the purpose of either reducing the cost of existing or planned Revenue Financing System debt, or to hedge the interest rate of existing or planned Revenue Financing System debt. By using swaps in a prudent manner, the U. T. System can increase the U. T. System's financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to reduce costs lower the overall cost of debt, and reduce balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into ~~swap transactions~~ swaps for speculative purposes.

Sec. 3 Legality/Approval. Prior to entering into a swap To enter into a Master Swap Agreement (which governs each swap transaction), the U. T. System must receive: 1) approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required; 2) approvals by from the Texas Attorney General, 3) approval from and the Texas Bond Review Board., and 4) The U. T. System will also secure an opinion acceptable to the Authorized Representative from bond legal

counsel that the ~~agreement relating to the swap transaction~~ is a legal, valid, and binding obligation of the U. T. System and that entering into the ~~swap transaction~~ complies with applicable State and federal laws.

- Sec. 4 Form of Agreements. Each ~~interest rate swap new Master Swap Agreement~~ shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes and confirmations as deemed necessary by an Authorized Representative.
- Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis ~~with counterparties or its credit support providers having credit ratings of 'A' or 'A2' or better from Standard & Poor's or Moody's, respectively.~~
- 5.1 Competitive. The competitive bid should include a minimum of three firms ~~with counterparty credit ratings of 'A' or 'A2' or better from Standard & Poor's or Moody's, respectively.~~ An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded ~~up to a 40% specified percentage~~ of the notional amount of the ~~swap transaction.~~
- 5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:
- (a) A determination is made by an Authorized Representative that due to the complexity of a particular ~~swap transaction~~, a negotiated bid would result in the most favorable pricing;
 - (b) An Authorized Representative makes a determination that, in light of the facts and circumstances, doing so will promote the U. T. System's interests by encouraging and rewarding innovation; ~~or~~
 - (c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.

Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System's swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.

~~Management of Swap Transaction Risk. Certain risks are created when the U. T. System enters into any swap transaction. In order to manage the associated risks, guidelines and parameters for each risk category are as follows:~~

- 6.1 Value Owed by Counterparty. To limit and diversify the U. T. System's counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap ~~transaction~~ with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its ~~unconditional guarantor~~ credit support provider, if applicable) to the U. T. System shall be less than or equal to ~~\$30 million~~ the applicable threshold amount set forth in Section 6.3 below.
- 6.2 Calculation of Value Owed. ~~The \$30 million limitation value owed~~ shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap ~~transaction~~, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.
- 6.3 Limits Threshold Amounts Based on Credit Rating. Specific threshold amounts ~~limits~~ by counterparty are based on the cumulative mark-to-market value of the

swap(s) and the credit rating of the counterparty or its credit support provider. The ~~limits~~ threshold amounts are as follows:

- (a) AAA / Aaa _____ \$30 million
- (b) AA+ / Aa1 _____ \$25 million
- (c) AA / Aa2 _____ \$20 million
- (d) AA- / Aa3 _____ \$15 million
- (e) A+ / A1 _____ \$10 million
- (f) A / A2 _____ \$5 million

6.4 Downgraded Rating. If ~~counterparty's~~ the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must ~~terminate a portion of the swap,~~ post collateral, or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits it to optionally terminate a swap ~~agreement~~ at any time over the term of the swap agreement (elective termination right). In general, exercising the right to optionally terminate ~~an agreement~~ a swap should produce a benefit to the U. T. System, either through receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. If no other remedies are available, it is possible that a termination payment by the U. T. System may be required in the event of termination of a swap ~~agreement~~ due to a counterparty default or following a decrease in credit rating.

Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap ~~transaction~~ should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap transaction extend beyond the final maturity date of the affected related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

- Sec. 9 ~~Basis Index Risk.~~ Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of ~~a swap an interest rate swap agreement~~ shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Bond Market Association Municipal Swap Index (BMA) or the London Interbank Offered Rate (LIBOR).
- Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is also present in all tax-exempt debt issuances. The Office of Finance should continually monitor and evaluate tax risk ~~will need to understand and document tax risk for a contemplated swap transaction as part of the approval process.~~
- Sec. 11 Interest Rate Risk. Additional interest rate risk can be created by entering into certain types of swaps. Interest rate risk is risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. The Office of Finance will incorporate the impact of each swap on the overall debt portfolio.
- Sec. 12 Annual Reporting. The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all ~~interest rate~~ swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit support providers, if applicable) and their respective credit ratings, and other key terms.

3. Definitions

~~Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's maximum cumulative mark-to-market value of swaps owed to System by counterparty (net of collateral posted).~~

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Associate Vice Chancellor for Finance, and the Director of Finance.

~~BMA Index—the Bond Market Association Municipal Swap Index, the principal benchmark for the floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.~~

Counterparty – a participant in a swap ~~or other derivatives agreement~~ who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap transaction in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices calculated on an agreed notional amount. ~~The~~ An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps ~~interest rate swap, swap enhancement, and derivative transactions~~ between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

London Interbank Offered Rate (LIBOR) – the rate of interest at which banks borrow funds from other banks in the London interbank market. It is a commonly used benchmark for swaps ~~interest rate transactions ranging from one month to one year.~~

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

~~Master Resolution—the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and each supplemental resolution thereto authorizing parity debt.~~

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the ~~interest rate~~ swap and the dollar amount used to calculate interest payments.

SIFMA Index - (formerly known as the Bond Market Association (BMA) Municipal Swap index). The principal benchmark for floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas; and

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Board has adopted the Supplemental Resolutions to the Master Resolution authorizing the issuance of Parity Debt thereunder as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed thereunder; and

WHEREAS, the Board hereby desires to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. Pursuant to the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement dated as of December 6, 2005, between the Board and Bank of America, N.A., the ISDA Master Agreement dated as of December 6, 2005, between the Board and Goldman Sachs Mitsui Marine Derivative Products, L.P., the ISDA Master Agreement dated as of May 2, 2006, between the Board and JPMorgan Chase Bank, National Association, the ISDA Master Agreement dated as of December 6, 2005 and Amended and Restated as of

April 21, 2006, between the Board and Lehman Brothers Commercial Bank, the ISDA Master Agreement dated as of May 1, 2006, between the Board and Merrill Lynch Capital Services, Inc., and the ISDA Master Agreement dated as of December 6, 2005, between the Board and Morgan Stanley Capital Services Inc. (collectively, the "Executed Master Agreements") and any New Master Agreements (as defined below, and collectively with the Executed Master Agreements, the "Master Agreements") authorized by Section 4 of this Resolution, each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution, the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at the time.

SECTION 2. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code* ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by the Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative may submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

SECTION 3. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable. No Confirmation entered into pursuant

to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.25% of the notional amount of such Bond Enhancement Agreement. No Bond Enhancement Agreement may be executed and delivered under this Resolution after August 31, 2008.

SECTION 4. Each Authorized Representative is hereby authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2 of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

SECTION 5. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 6. In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount

based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based on a variable rate of interest and the counterparty would pay an amount based on a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction the Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

SECTION 7. To the extent that the Board receives payments pursuant to a Bond Enhancement Agreement authorized by this Resolution, such payments shall be applied to pay: (i) debt service on Parity Debt; (ii) the costs to be financed by the Parity Debt or anticipated

issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, any lawful expenses of the System.

SECTION 8. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than seventy-two (72) months after the date of the applicable Confirmation; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed.

SECTION 9. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

SECTION 10. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND
ENHANCEMENT AGREEMENTS RELATING TO PERMANENT UNIVERSITY
FUND DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS
AND PROCEDURES RELATING TO SAID AGREEMENTS

August 23, 2007

WHEREAS, the Board of Regents (the “Board”) of The University of Texas System (the “System”) is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas (the “State”); and

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended, (the “Permanent University Fund”); and

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State (the “Available University Fund”); and

WHEREAS, Section 18 of Article VII of the Constitution of the State, as may hereafter be amended (the “Constitutional Provision”), authorizes the Board to issue bonds and notes (“PUF Debt”) not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (the “Interest of the System”) to secure the payment of the principal of and interest on PUF Debt, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System Administration and institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the “Residual AUF”) shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, the Board has been presented with the form of an International Swaps and Derivatives Association, Inc. Master Agreement (including the Schedule and Credit Support Annex thereto) attached hereto as Exhibit A; and

WHEREAS, the Board hereby desires to severally authorize each Authorized Representative (as defined in the U.T. System Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. Each Authorized Representative is hereby severally authorized to enter into International Swaps and Derivatives Association, Inc. Master Agreements (the “Master Agreements”) with counterparties satisfying the ratings requirements of the U.T. System Interest Rate Swap Policy, and such Master Agreements shall be in substantially the same form as set forth in Exhibit A hereto, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the U.T. Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant to Section 2 of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a “credit agreement” under Chapter 1371 of the *Texas Government Code*, as amended (“Chapter 1371”), (iii) to accommodate the credit structure or requirements of a particular counterparty, or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a Master Agreement.

Each Authorized Representative is further severally authorized to act on behalf of the Board in accepting and executing confirmations under one or more of the Master Agreements (each, a “Confirmation,” and collectively with the applicable Master Agreement, a “Bond Enhancement Agreement”) when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution, the U.T. System Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time.

SECTION 2. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board’s obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a “bond enhancement agreement” under Section 65.461 of the *Texas Education Code* (“Section 65.461”). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a “credit agreement” under Chapter 1371, unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a “credit agreement” under Chapter 1371 and such Authorized Representative has not previously submitted this Resolution to the Attorney General, such Authorized Representative may submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

SECTION 3. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable from proceeds of the sale of PUF Debt to which the Bond Enhancement Agreement relates, the portion of the Residual AUF appropriated by the Board for the support and maintenance of System administration or from any other source that is legally available to make such payments. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as applicable. No Confirmation entered into pursuant to this Resolution shall contain early termination

provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.25% of the notional amount of such Bond Enhancement Agreement. No Bond Enhancement Agreement may be executed and delivered under this Resolution after August 31, 2008.

SECTION 4. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments as in the judgment of such Authorized Representative, with the advice and counsel of the U.T. Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the U.T. System Interest Rate Swap Policy and this Resolution.

SECTION 5. In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future. Prior

to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure. Any such transaction may be evidenced by the execution of a Confirmation or other agreement or instrument deemed necessary by an Authorized Representative.

SECTION 6. To the extent that the Board receives payments pursuant to a Bond Enhancement Agreement authorized by this Resolution, such payments shall be applied to pay: (i) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; or (ii) to the extent that costs set forth in (i) have been satisfied, any lawful expenses of the System.

SECTION 7. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than seventy-two (72) months after the date of the applicable Confirmation or other applicable agreement; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed.

SECTION 8. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

SECTION 9. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

EXHIBIT A

FORM OF MASTER AGREEMENT

Note: The form of the PUF ISDA agreement not been included as part of the agenda materials, but is available upon request.

9. **U. T. System: Approval of aggregate amount of \$102,957,000 of equipment financing for Fiscal Year 2008 and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. approve an aggregate amount of \$102,957,000 of Revenue Financing System Equipment Financing as allocated to those U. T. System institutions set out on Page 103; and
- b. 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 cost of equipment including costs incurred 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;
 - the institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their 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 \$102,957,000 for the purchase of equipment; and
 - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This Agenda Item requests approval of an aggregate amount of \$102,957,000 for equipment financing for Fiscal Year 2008.

The U. T. System Board of Regents approved \$108,000,000 of equipment financing in Fiscal Year 2007, of which \$52,314,000 has been issued through June 1, 2007.

Further details on the equipment to be financed and debt coverage ratios for individual institutions can be found on Page 103.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2008

| Institution | \$ Amount of Request | | Description of Expected Equipment Purchases | DSC* |
|--|----------------------|----------------------|---|------|
| | | | | |
| U. T. Austin | \$1,500,000 | | Classroom equipment, research equipment, and information technology hardware | 4.4x |
| U. T. Dallas | 4,000,000 | | General purpose equipment and equipment, software, and services for the Pilot Shared Services project | 3.5x |
| U. T. El Paso | 1,632,000 | | Technology infrastructure, facilities maintenance equipment, vehicle replacement, parking control software and equipment, elevator purchase and installation, and conference services management system | 2.3x |
| U. T. San Antonio | 2,425,000 | | Scientific equipment, lab equipment, and vehicle purchases | 3.1x |
| U. T. Southwestern Medical Center - Dallas | 45,000,000 | | Information resources equipment, clinical and hospital equipment, and non-clinical equipment | 2.3x |
| U. T. Medical Branch - Galveston | 14,000,000 | | Clinical and information technology equipment | 1.9x |
| U. T. Health Science Center - San Antonio | 4,000,000 | | Cyclotron, research, clinical & information technology equipment | 1.4x |
| U. T. M. D. Anderson Cancer Center | 25,000,000 | | Medical equipment, research equipment, and diagnostic equipment | 4.5x |
| U.T. Health Center - Tyler | 5,000,000 | | New telephone system, clinical equipment, and diagnostic equipment | 3.2x |
| U. T. System Administration | 400,000 | | Information technology equipment | N/A |
| Total | | \$102,957,000 | | |

* Debt Service Coverage ("DSC") based on actual results for FY06.

U. T. System Office of Finance, July 23, 2007

10. **U. T. System Board of Regents: Adoption of Eighteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$675,000,000; adoption of a standard provisions resolution; authorization to complete all related transactions; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt the Eighteenth Supplemental Resolution to the Master Resolution, containing terms in substantially the form approved by the Board of Regents on November 13, 2003, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$675,000,000 for the purpose of refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; to current or advance refund certain outstanding Revenue Financing System Bonds to produce present value debt service savings; and to pay the costs of issuance and any original issue discount;
- b. adopt a standard provisions resolution approving certain standard provisions and procedures applicable to bonds issued pursuant to the supplemental resolutions to the Master Resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds; and
- c. authorize appropriate officers and employees of the U. T. System as set forth in the Eighteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. System Board of Regents on February 14, 1991, amended

on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. System Board of Regents resolves that

- a. 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 Board relating to the Financing System; and
- b. the institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their 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.

BACKGROUND INFORMATION

On February 14, 1991, the U. T. System Board of Regents adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for institutions of the U. T. System. Since that time, the Board has adopted 17 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

Adoption of the Eighteenth Supplemental Resolution (Resolution) would authorize the refunding of certain outstanding RFS Bonds provided that an advance refunding exceed a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing. The particular bonds to be refunded will be called for redemption on the first practical optional redemption date for each series of refunded bonds occurring after the delivery of the refunding bonds.

The Resolution authorizes refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A, refunding certain outstanding RFS Bonds for savings, and new money to fund construction and acquisition costs of projects in the Capital Improvement Program. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

In addition, the Resolution authorizes remarketing, tender, auction and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The purpose of the proposed standard provisions resolution is to gather provisions that do not change into a single resolution that can be incorporated by reference rather than repeating the standard provisions in each subsequent supplemental resolution.

The proposed Eighteenth Supplemental Resolution and standard provisions resolution have been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The Eighteenth Supplemental Resolution, standard provisions resolution, and forms of auction agreement and broker-dealer agreement contain terms that are substantially the same as those contained in the Thirteenth through Seventeenth Supplemental Resolutions and forms of auction agreement and broker-dealer agreement previously approved by the Board on November 13, 2003, for use as standard agreements. These documents have not been included as part of the Agenda materials, but are available upon request.

11. U. T. System Board of Regents: Report on Treasury Working Group

Executive Vice Chancellor Kelley will discuss the progress to date of the U. T. System Treasury Working Group, headed by Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance.

REPORT

On July 8, 2005, the Board of Regents asked the Office of Finance to explore the multiple banking relationships throughout the U. T. System and determine if there are ways to increase efficiency and lower costs for these services. Treasury Strategies, Inc. (TSI) was hired to perform a "Best Practices Review" of treasury services at the U. T. System institutions and at U. T. System Administration. TSI's report and recommendations were reviewed with the U. T. System Board of Regents on November 16, 2006. At that meeting, the Board authorized the Office of Finance to move forward and "standardize" certain treasury functions throughout the U. T. System.

In recent months, the Office of Finance has been leading an implementation team, consisting of cash managers from many of the U. T. System institutions, representatives from U. T. System Administration, and Ms. Linda Patterson of Patterson & Associates. Patterson & Associates is an Austin-based treasury advisory firm and was selected

through a formal Request for Qualifications (RFQ) process based on its extensive experience in municipal treasury management. The implementation team is in the process of achieving the following objectives:

1. the creation of new treasury policies to upgrade and standardize treasury practices relating to collections and deposits, collateral standards, cash handling, cash flow forecasting, petty cash, and transport of assets;
2. the creation of a System-wide banking Request for Proposals (RFP) to leverage the negotiating power of the U. T. System to standardize and reduce banking fees, maximize interest income, and reduce the number of banks serving U. T. System institutions while increasing the minimum service level standards;
3. assurance that each U. T. System institution has a formal treasury operations disaster recovery plan;
4. assurance that treasury operations will be regularly audited and reviewed for compliance purposes;
5. a review of the U. T. System-wide merchant card services agreement, and;
6. an upgrade of the U. T. System collateral tracking system for banking deposits.

Substantial progress has been made by the working group on each of these items. The U. T. System-wide treasury policies have been drafted and will be effective September 1, 2007. Among other requirements, the new treasury policies will require that regular audits are performed for treasury activities. The U. T. System-wide banking RFP is in final form and ready to be distributed to the banking community. It is anticipated that the RFP responses will be received in early October, with the selection of new banking institutions effective on or before March 1, 2008. The banking RFP includes a solicitation of new pricing for merchant card services. Surveys have been conducted to confirm the existence of treasury disaster recovery plans at all the U. T. System institutions and System Administration, most of which were created as part of the U. T. System-wide business continuity planning process. A new collateral system has been created and rolled out by the Office of Finance for use by the U. T. System institutions to streamline the collateral process. In addition, the need for collateral will be minimized through implementation of the banking RFP, which requires "sweep" accounts where possible. A final report on the results of the Treasury Working Group will be presented to the U. T. System Board of Regents in Spring 2008.

Supplemental Materials: The Cash Management and Cash Handling Policy and the Banking Services Policy on Pages 84 - 104 of Volume 2.

12. U. T. System Board of Regents: Approval of amendments to the Allocation Policy for Non-Endowment Funds

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve amendments to The University of Texas System Allocation Policy for Non-Endowment Funds (Allocation Policy), as set forth in congressional style on Pages 109 - 110. The amendments to the Allocation Policy are to be effective September 1, 2007.

BACKGROUND INFORMATION

The Allocation Policy was approved by the U. T. System Board of Regents on November 10, 2005, and implemented on February 1, 2006, as part of the centralization of non-endowment funds. The Allocation Policy is intended to ensure that sufficient liquidity is available at all times to meet the needs of the U. T. System institutions and U. T. System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the non-endowment funds. Eligible U. T. System institutions with at least \$5 million of non-endowment funds on the last day of a calendar month and a current financial condition rating from the U. T. System Office of the Controller of "Watch" or better invest in the Intermediate Term Fund (ITF) pursuant to the Allocation Policy. Currently, 85% of an institution's non-endowment funds are to be invested in the Intermediate Term Fund with a corresponding target allocation for the AAA-rated money market Short Term Fund of 15% (within a range of 10-20%).

The primary proposed amendment to the Allocation Policy is to increase the target allocation in the Intermediate Term Fund from 85% to 90%, with the remaining 10% in the Short Term Fund (within a range of 5-15%). This recommendation is based on a review of actual daily data dating back to 2002. During the first 12 months of operation of the Intermediate Term Fund, the maximum daily outflow represented just 2.6% of the combined non-endowment funds (Intermediate Term Fund and Short Term Fund). The 10% target in the Short Term Fund (plus debt proceeds) should provide more than ample operating liquidity going forward. All other changes to the Allocation Policy are editorial in nature.

The University of Texas System Allocation Policy for Non-Endowment Funds

Purpose

The University of Texas System Allocation Policy for Non-Endowment Funds (“Allocation Policy”) is intended to ensure that sufficient liquidity is available at all times to meet the needs of the institutions and System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the Non-Endowment Funds. Eligible Institutions with at least \$5 million of Non-Endowment Funds on the last day of a calendar month and a current financial condition rating from the System Administration Office of the Controller of “Watch” or better will invest in the Intermediate Term Fund (“ITF”) pursuant to this policy. Exceptions for funds that would otherwise be invested pursuant to this policy may be made only with the approval of an Authorized Representative.

Allocation and Rebalancing

At the beginning of each month, each institution shall have a minimum of \$5 million invested in the Short Term Fund (“STF”). The target allocation for Non-Endowment Funds ~~in excess of \$5 million~~ held by Eligible Institutions shall be ~~45%~~10% in the STF and ~~85%~~90% in the ITF. Institutions that are ineligible to invest in the ITF shall be 100% invested in the STF. If an institution ceases being an Eligible Institution as measured on the last day of any month, then it must rebalance such that 100% of its Non-Endowment Funds are in the STF, unless approval is obtained from an Authorized Representative.

Eligible Institutions are required to rebalance when the projected allocation to the STF at month-end is less than ~~40%~~5% or greater than ~~20%~~15% of the institution’s Non-Endowment Funds, or when a cash inflow or outflow is scheduled to occur during the next calendar month that is likely to result in the institution having less than ~~40%~~5% or more than ~~20%~~15% of its Non-Endowment Funds in the STF at the end of the next calendar month. Each Chief Business Officer is responsible for rebalancing to ensure the institution’s Non-Endowment Funds are within this target range, which will be reviewed on a monthly basis by the System Administration Office of Finance. At least five days prior to the end of each month, each institution should check its balance in the STF and the ITF to determine if rebalancing will be necessary. If necessary, ITF transactions should be initiated on or before the last business day of the month. ITF transactions will be effective on the first business day of the following month. For ITF transactions greater than ~~\$40~~\$25 million (~~redemptions or withdrawals~~), the institution should provide notice to The University of Texas Investment Management Company (UTIMCO) at least ~~five~~ three business days in advance to facilitate UTIMCO’s ability to transact efficiently.

Approved: November 10, 2005
Revised: August 23, 2007
Effective: September 1, 2007

1

Sharing of Investment Returns

If the total investment return on the ITF in a fiscal year is in excess of the ~~primary~~ national Consumer Price Index (“CPI-U”) published by the Bureau of Labor Statistics plus 3.0%, then the amount in excess of the CPI-U plus 3.0% will be split, with 90% of the excess return being retained by the institutions and 10% being distributed to System Administration. Any funds distributed to System Administration will be used exclusively for strategic initiatives that benefit the institutions, and all expenditures of the funds by System Administration will require approval of the Board of Regents.

No excess returns will be distributed to System Administration unless the cumulative total investment return of the ITF, measured from the inception date of ~~this policy~~ the ITF through the most recent fiscal year end, is also in excess of the ~~monthly compounded~~ cumulative total return of the CPI-U plus 3.0% (per year) for the same period.

Definitions

Authorized Representative – The Executive Vice Chancellor for Business Affairs at System Administration or the Associate Vice Chancellor for Finance at System Administration.

Eligible Institutions – Institutions with at least \$5 million of Non-Endowment Funds on the last day of a month and a current financial condition rating from the System Administration Office of the Controller of “Watch” or better.

Intermediate Term Fund (ITF) – The ITF is a pooled fund for the investment of Non-Endowment Funds that are not required to be invested in the Short Term Fund. Refer to the ITF Investment Policy for more information.

Non-Endowment Funds – Non-Endowment Funds include all non-endowment monies owned by the Board of Regents or under the control of the Board of Regents. Funds that are legally required to be invested elsewhere, such as funds held at the State Treasury and certain trust funds, are excluded from this policy. Due to Internal Revenue Service restrictions governing tax-exempt debt such as yield restriction and spend-out requirements, debt-related funds are also specifically excluded from this policy. Exceptions for Non-Endowment Funds that would otherwise be invested pursuant to this policy may be made only with the approval of an Authorized Representative.

Short Term Fund (STF) – The STF is an institutional money market mutual fund, currently the Dreyfus Institutional Preferred Money Market Fund (Dreyfus Fund). The STF provides daily liquidity and safety of principal by investing in short-term money market obligations. Refer to the STF Investment Policy for more information.

13. U. T. System Board of Regents: Investment Reports for the fiscal quarter ended May 31, 2007, and The University of Texas Investment Management Company (UTIMCO) Performance Summary Report

REPORT

The Investment Reports for the fiscal quarter ended May 31, 2007, are set forth on Pages 113 - 117.

Item I on Page 113 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 6.74% versus its composite benchmark return of 5.89%. The PUF's net asset value increased by \$705.0 million since the beginning of the quarter to \$11,763.6 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, and the third payment of the annual distribution to the Available University Fund (AUF) for \$100.2 million.

Item II on Page 114 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 6.77% versus its composite benchmark return of 5.89%. The GEF's net asset value increased during the quarter to \$6,435.5 million.

Item III on Page 115 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.06% versus its composite benchmark return of 2.84%. The net asset value has increased to \$3,740.0 million due to net contributions (\$173.3 million), net distributions (-\$27.1 million), and net investment return (\$154.6 million).

Item IV on Page 116 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$.3 million to \$1,621.0 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$33.9 million versus \$32.4 million at the beginning of the period; equities: \$73.9 million versus \$72.1 million at the beginning of the period; and other investments: \$.1 million versus \$1.6 million at the beginning of the period.

The May 31, 2007, UTIMCO Performance Summary Report is attached on Page 117. The Dow Jones Wilshire Real Estate Securities Index (the DJWRESI) is the approved benchmark for the REITS (Real Estate Investment Trust) asset class, included in the Endowment Investment Policy Portfolios and reported for comparison with REIT manager returns. Effective July 1, 2007, the DJWRESI has undergone a routine minor change in the construction of its underlying holdings. UTIMCO staff, in concurrence with U. T. System staff and Mr. Bruce Myers from Cambridge Associates, has determined that this change does not constitute a "change in a benchmark" requiring action by the

UTIMCO Board and U. T. System Board of Regents. No prior period index or benchmark returns will be restated; the same index, constructed under a slightly different methodology will continue to be used on a go-forward basis.

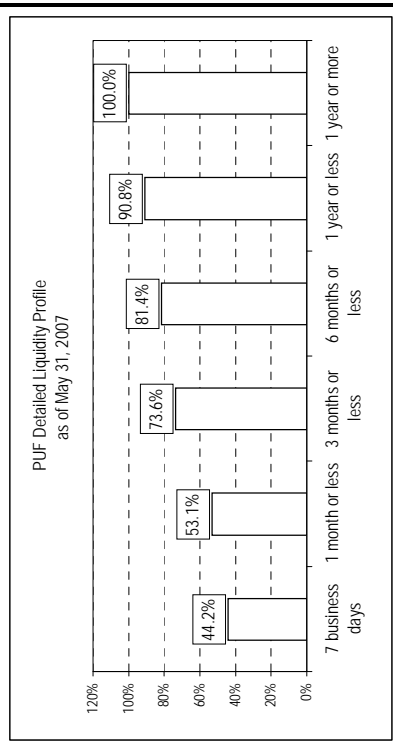
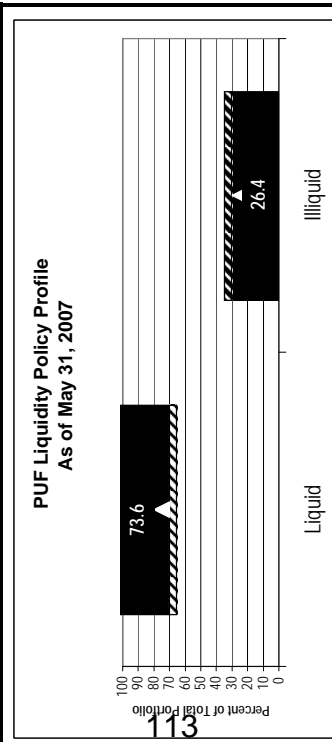
I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended May 31, 2007

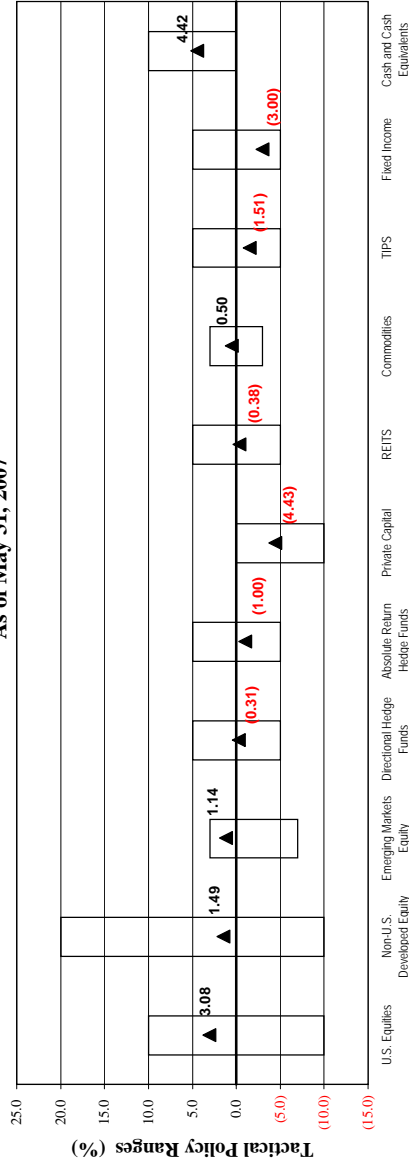
Prepared in accordance with Texas Education Code Sec. 51.0032

| Summary of Capital Flows | | | | |
|------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--|
| | Fiscal Year Ended August 31, 2006 | Quarter Ended May 31, 2007 | Fiscal Year Ended August 31, 2007 | |
| Beginning Net Assets (\$ millions) | \$ 9,426.7 | \$ 11,058.6 | \$ 10,313.4 | |
| PUF Lands Receipts | 214.9 | 71.2 | 207.2 | |
| Investment Return | 1,111.7 | 759.9 | 1,603.2 | |
| Expenses | (82.6) | (25.9) | (59.7) | |
| Distributions to AUF | (357.3) | (100.2) | (300.5) | |
| Ending Net Assets | \$ 10,313.4 | \$ 11,763.6 | \$ 11,763.6 | |

| | Returns | | | | | Fiscal Year to Date | | |
|------------------------------------|----------------|--------------------|----------------|---------------|------------------|-----------------------|-------------------------|--------------|
| | May 31, 2007 | Portfolio Exposure | Policy Target | Portfolio | Policy Benchmark | From Asset Allocation | From Security Selection | Value Added |
| Cash and Cash Equivalents | 4.42% | 4.42% | 0.00% | 4.01% | 3.90% | -0.35% | 0.00% | -0.35% |
| U.S. Equities | 23.08% | 23.08% | 20.00% | 19.45% | 19.55% | 0.11% | -0.02% | 0.09% |
| Non-U.S. Developed Equity | 11.49% | 11.49% | 10.00% | 18.14% | 22.25% | 0.05% | -0.39% | -0.34% |
| Emerging Markets Equity | 8.14% | 8.14% | 7.00% | 31.76% | 33.15% | 0.33% | -0.09% | 0.24% |
| Directional Hedge Funds | 9.69% | 9.69% | 10.00% | 16.40% | 8.60% | -0.01% | 0.79% | 0.78% |
| Absolute Return Hedge Funds | 14.00% | 14.00% | 15.00% | 13.56% | 8.60% | 0.00% | 0.76% | 0.76% |
| REITS | 4.62% | 4.62% | 5.00% | 18.47% | 15.02% | -0.02% | 0.16% | 0.14% |
| Commodities | 3.50% | 3.50% | 3.00% | -11.51% | -6.76% | -0.43% | -0.17% | -0.60% |
| TIPS | 3.49% | 3.49% | 5.00% | 0.83% | 0.74% | 0.15% | 0.01% | 0.16% |
| Fixed Income | 7.00% | 7.00% | 10.00% | 3.16% | 3.43% | 0.28% | -0.03% | 0.25% |
| Total Marketable Securities | 89.43% | 89.43% | 85.00% | 14.61% | 13.33% | 0.11% | 1.02% | 1.13% |
| Private Capital | 10.57% | 10.57% | 15.00% | 19.83% | 16.46% | -0.31% | 0.51% | 0.20% |
| Total | 100.00% | 100.00% | 100.00% | 15.14% | 13.81% | -0.20% | 1.53% | 1.33% |

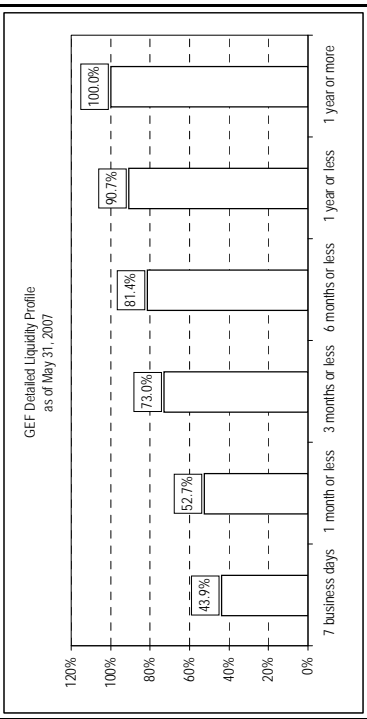
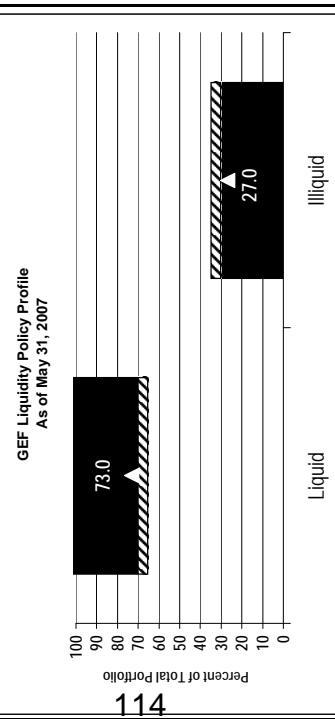


Deviations From Policy Targets Within Tactical Policy Ranges As of May 31, 2007

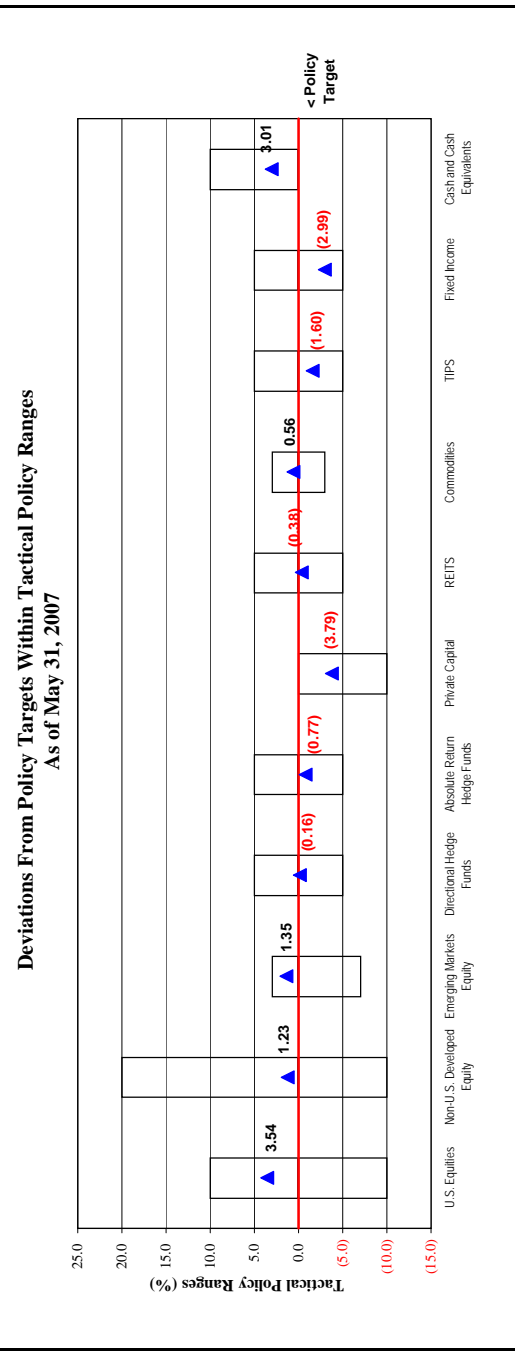


II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended May 31, 2007
 Prepared in accordance with Texas Education Code Sec. 51.0032

| <u>Summary of Capital Flows</u> | | | |
|---------------------------------|-------------------|---------------|-------------------|
| | Fiscal Year Ended | Quarter Ended | Fiscal Year Ended |
| | August 31, 2006 | May 31, 2007 | August 31, 2007 |
| Beginning Net Assets | \$ 4,926.8 | \$ 5,996.8 | \$ 5,427.8 |
| Contributions | 273.9 | 89.6 | 316.4 |
| Withdrawals | (108.0) | - | (1.9) |
| Distributions | (220.0) | (60.3) | (178.8) |
| Investment Return | 593.3 | 421.2 | 898.9 |
| Expenses | (38.2) | (11.8) | (26.9) |
| Ending Net Assets | \$ 5,427.8 | \$ 6,435.5 | \$ 6,435.5 |



| | Fiscal Year to Date | | | |
|------------------------------------|---------------------------|----------------------|------------------------------|--------------------------------|
| | Returns | | Value Added | |
| | May 31, 2007 | | | |
| | Portfolio Exposure | Policy Target | Portfolio | Policy Benchmark |
| Cash and Cash Equivalents | 3.01% | 0.00% | 4.01% | 3.90% |
| U.S. Equities | 23.54% | 20.00% | 19.32% | 19.55% |
| Non-U.S. Developed Equity | 11.23% | 10.00% | 18.17% | 22.25% |
| Emerging Markets Equity | 8.35% | 7.00% | 31.92% | 33.15% |
| Directional Hedge Funds | 9.84% | 10.00% | 16.41% | 8.60% |
| Absolute Return Hedge Funds | 14.23% | 15.00% | 13.56% | 8.60% |
| REITS | 4.62% | 5.00% | 18.53% | 15.02% |
| Commodities | 3.56% | 3.00% | -11.55% | -6.76% |
| TIPS | 3.40% | 5.00% | 0.86% | 0.74% |
| Fixed Income | 7.01% | 10.00% | 3.18% | 3.43% |
| Total Marketable Securities | 88.79% | 85.00% | 14.73% | 13.33% |
| Private Capital | 11.21% | 15.00% | 22.21% | 16.46% |
| Total | 100.00% | 100.00% | 15.52% | 13.81% |
| | | | From Asset Allocation | From Security Selection |
| | | | -0.28% | 0.00% |
| | | | 0.14% | -0.05% |
| | | | 0.03% | -0.39% |
| | | | 0.28% | -0.08% |
| | | | 0.00% | 0.79% |
| | | | 0.00% | 0.77% |
| | | | -0.03% | 0.17% |
| | | | -0.40% | -0.17% |
| | | | 0.18% | 0.01% |
| | | | 0.28% | -0.03% |
| | | | 0.20% | 1.02% |
| | | | -0.37% | 0.86% |
| | | | -0.17% | 1.88% |
| | | | | 1.71% |



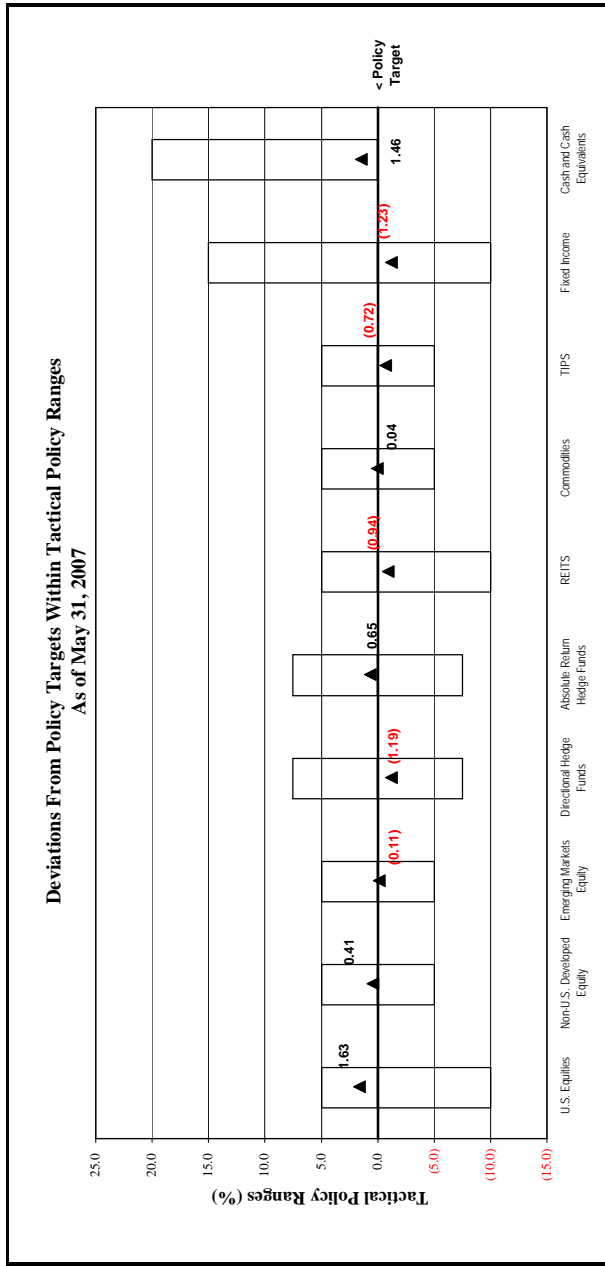
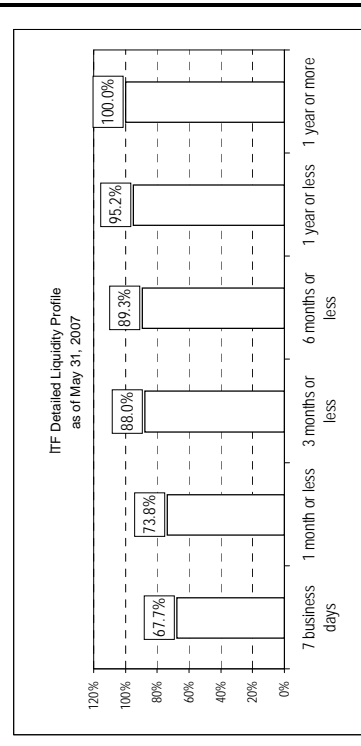
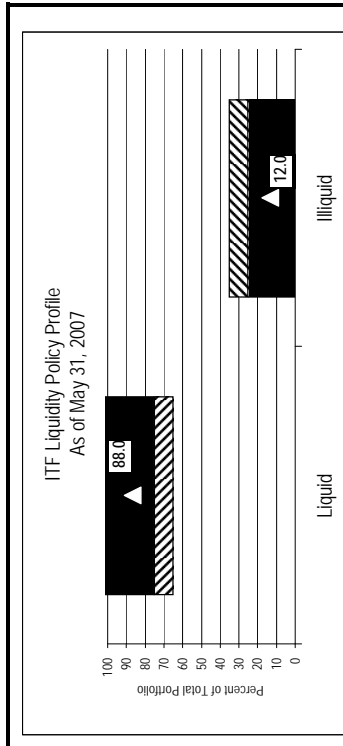
III. INTERMEDIATE TERM FUND

Investment Reports for Periods Ended May 31, 2007

Prepared in accordance with Texas Education Code Sec. 51.0032

| Summary of Capital Flows | | | | |
|--------------------------|-------------------|--------------|-------------------|-----------------|
| | Fiscal Year Ended | | Fiscal Year Ended | |
| | August 31, 2006 | May 31, 2007 | August 31, 2007 | August 31, 2007 |
| (\$ millions) | - | \$ 3,519.2 | \$ 3,048.8 | 3,048.8 |
| Beginning Net Assets | - | 173.3 | 603.2 | 603.2 |
| Contributions | (111.2) | (69.2) | (189.5) | (189.5) |
| Withdrawals | (52.7) | (27.1) | (76.0) | (76.0) |
| Distributions | 115.4 | 154.6 | 381.8 | 381.8 |
| Investment Return | (15.0) | (10.8) | (28.3) | (28.3) |
| Ending Net Assets | \$ 3,048.8 | \$ 3,740.0 | \$ 3,740.0 | \$ 3,740.0 |

| | Fiscal Year to Date | | | | |
|-----------------------------|---------------------|----------------|---------------|------------------|-----------------------|
| | Returns | | | | |
| | Portfolio Exposure | Policy Target | Portfolio | Policy Benchmark | From Asset Allocation |
| Cash and Cash Equivalents | 1.46% | 0.00% | 4.01% | 3.90% | -0.10% |
| U.S. Equities | 16.63% | 15.00% | 19.64% | 19.55% | 0.07% |
| Non-U.S. Developed Equity | 5.41% | 5.00% | 19.75% | 22.25% | -0.11% |
| Emerging Markets Equity | 4.89% | 5.00% | 31.32% | 33.15% | -0.08% |
| Directional Hedge Funds | 11.31% | 12.50% | 16.42% | 8.60% | -0.10% |
| Absolute Return Hedge Funds | 13.15% | 10.00% | 17.68% | 15.02% | 0.01% |
| REITs | 9.06% | 5.00% | -9.99% | -6.76% | -0.18% |
| Commodities | 5.04% | 10.00% | 0.80% | 0.74% | 0.01% |
| TIPS | 23.77% | 25.00% | 3.23% | 3.43% | -0.05% |
| Fixed Income | 100.00% | 100.00% | 11.02% | 9.77% | -0.12% |
| Total | 100.00% | 100.00% | 11.02% | 9.77% | 1.25% |



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2007

Report prepared in accordance with Texas Education Code Sec. 51.0032

| ASSET TYPES | (\$ thousands) | | | | | | | | | | | | | | | |
|--------------------------------|----------------------------|--------|------------|--------|---------------------------|----------|-----------------------------|--------|--------------|--------|---------------------------------|----------|-----------------------------------|-----------|-----------|-----------|
| | CURRENT PURPOSE DESIGNATED | | RESTRICTED | | ENDOWMENT & SIMILAR FUNDS | | ANNUITY & LIFE INCOME FUNDS | | AGENCY FUNDS | | TOTAL EXCLUDING OPERATING FUNDS | | OPERATING FUNDS (SHORT TERM FUND) | | TOTAL | |
| | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET |
| Cash & Equivalents: | | | | | | | | | | | | | | | | |
| Beginning value 02/28/07 | 1,727 | 1,727 | 2,320 | 2,320 | 79,933 | 79,933 | 7,311 | 7,311 | 2,877 | 2,877 | 94,168 | 94,168 | 1,266,676 | 1,266,676 | 1,360,844 | 1,360,844 |
| Increase/(Decrease) | 126 | 126 | (482) | (482) | (51,297) | (51,297) | 401 | 401 | 19,985 | 19,985 | (31,267) | (31,267) | 291,420 | 291,420 | 260,153 | 260,153 |
| Ending value 05/31/07 | 1,853 | 1,853 | 1,838 | 1,838 | 28,636 | 28,636 | 7,712 | 7,712 | 22,862 | 22,862 | 62,901 | 62,901 | 1,558,096 | 1,558,096 | 1,620,997 | 1,620,997 |
| Debt Securities: | | | | | | | | | | | | | | | | |
| Beginning value 02/28/07 | - | - | 263 | 222 | 17,817 | 18,240 | 13,890 | 13,964 | - | - | 31,970 | 32,426 | - | - | 31,970 | 32,426 |
| Increase/(Decrease) | - | - | - | - | 560 | 421 | 1,386 | 1,082 | - | - | 1,946 | 1,503 | - | - | 1,946 | 1,503 |
| Ending value 05/31/07 | - | - | 263 | 222 | 18,377 | 18,661 | 15,276 | 15,046 | - | - | 33,916 | 33,929 | - | - | 33,916 | 33,929 |
| Equity Securities: | | | | | | | | | | | | | | | | |
| Beginning value 02/28/07 | 29 | 8,143 | 509 | 587 | 32,855 | 38,568 | 19,512 | 24,797 | - | - | 52,905 | 72,095 | - | - | 52,905 | 72,095 |
| Increase/(Decrease) | (5) | (514) | 219 | 241 | (258) | 2,218 | (1,487) | (164) | - | - | (1,531) | 1,781 | - | - | (1,531) | 1,781 |
| Ending value 05/31/07 | 24 | 7,629 | 728 | 828 | 32,597 | 40,786 | 18,025 | 24,633 | - | - | 51,374 | 73,876 | - | - | 51,374 | 73,876 |
| Other: | | | | | | | | | | | | | | | | |
| Beginning value 02/28/07 | - | - | 527 | 527 | 4 | 4 | 272 | 116 | 918 | 918 | 1,721 | 1,565 | - | - | 1,721 | 1,565 |
| Increase/(Decrease) | - | - | (511) | (511) | - | - | 11 | - | (918) | (918) | (1,418) | (1,429) | - | - | (1,418) | (1,429) |
| Ending value 05/31/07 | - | - | 16 | 16 | 4 | 4 | 283 | 116 | - | - | 303 | 136 | - | - | 303 | 136 |
| Total Assets: | | | | | | | | | | | | | | | | |
| Beginning value 02/28/07 | 1,756 | 9,870 | 3,619 | 3,656 | 130,609 | 136,745 | 40,985 | 46,188 | 3,795 | 3,795 | 180,764 | 200,254 | 1,266,676 | 1,266,676 | 1,447,440 | 1,466,930 |
| Increase/(Decrease) | 121 | (388) | (774) | (752) | (50,995) | (48,658) | 311 | 1,319 | 19,067 | 19,067 | (32,270) | (29,412) | 291,420 | 291,420 | 259,150 | 262,008 |
| Ending value 05/31/07 | 1,877 | 9,482 | 2,845 | 2,904 | 79,614 | 88,087 | 41,296 | 47,507 | 22,862 | 22,862 | 148,494 | 170,842 | 1,558,096 | 1,558,096 | 1,706,590 | 1,728,938 |

Details of individual assets by account furnished upon request.

UTIMCO Performance Summary

May 31, 2007

| | Net Asset Value 5/31/2007 (in Millions) | Periods Ended May 31, 2007 (Returns for Periods Longer Than One Year are Annualized) | | | | | | | | | | |
|--|---|---|--------------|-----------------------|------------|---------------------|----------|-----------|-------------|------------|------------|-----------|
| | | One Month | Three Months | Calendar Year To Date | Six Months | Fiscal Year To Date | One Year | Two Years | Three Years | Four Years | Five Years | Ten Years |
| ENDOWMENT FUNDS | | | | | | | | | | | | |
| Permanent University Fund | \$ 11,763.6 | 2.10 | 6.74 | 9.09 | 10.26 | 15.14 | 17.85 | 16.23 | 15.28 | 16.45 | 12.45 | 9.72 |
| General Endowment Fund | | 2.09 | 6.77 | 9.30 | 10.50 | 15.52 | 18.23 | 16.35 | 15.35 | 16.55 | 12.62 | N/A |
| Permanent Health Fund | 1,107.3 | 2.07 | 6.71 | 9.23 | 10.41 | 15.45 | 18.17 | 16.27 | 15.28 | 16.44 | 12.51 | N/A |
| Long Term Fund | 5,328.2 | 2.07 | 6.71 | 9.23 | 10.41 | 15.46 | 18.17 | 16.28 | 15.28 | 16.45 | 12.53 | 10.28 |
| Separately Invested Funds | 170.8 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total Endowment Funds | 18,369.9 | | | | | | | | | | | |
| OPERATING FUNDS | | | | | | | | | | | | |
| Short Term Fund | 1,558.1 | 0.45 | 1.33 | 2.19 | 2.65 | 4.01 | 5.38 | 4.72 | 3.79 | 3.09 | 2.78 | 3.97 |
| Intermediate Term Fund | 3,740.0 | 1.20 | 4.06 | 6.13 | 6.21 | 11.02 | 14.17 | N/A | N/A | N/A | N/A | N/A |
| Total Operating Funds | 5,298.1 | | | | | | | | | | | |
| Total Investments | \$ 23,668.0 | | | | | | | | | | | |
| BENCHMARKS (1) | | | | | | | | | | | | |
| Permanent University Fund: Policy Portfolio | | 1.97 | 5.89 | 7.29 | 8.15 | 13.81 | 16.95 | 15.52 | 14.33 | 14.41 | 10.85 | 10.06 |
| General Endowment Fund: Policy Portfolio | | 1.97 | 5.89 | 7.29 | 8.15 | 13.81 | 16.95 | 15.52 | 14.33 | 14.41 | 10.85 | 9.68 |
| Short Term Fund: 90 Day Treasury Bills Average Yield | | 0.44 | 1.34 | 2.14 | 2.59 | 3.90 | 5.20 | 4.51 | 3.66 | 3.00 | 2.71 | 3.79 |
| Intermediate Term Fund: Policy Portfolio | | 0.84 | 2.84 | 4.68 | 4.62 | 9.77 | 12.98 | N/A | N/A | N/A | N/A | N/A |
| VALUE ADDED (2) | | | | | | | | | | | | |
| Permanent University Fund | | 0.13 | 0.85 | 1.80 | 2.11 | 1.33 | 0.90 | 0.71 | 0.95 | 2.04 | 1.60 | (0.34) |
| General Endowment Fund | | 0.12 | 0.88 | 2.01 | 2.35 | 1.71 | 1.28 | 0.83 | 1.02 | 2.14 | 1.77 | N/A |
| Permanent Health Fund | | 0.10 | 0.82 | 1.94 | 2.26 | 1.64 | 1.22 | 0.75 | 0.95 | 2.03 | 1.66 | N/A |
| Long Term Fund | | 0.10 | 0.82 | 1.94 | 2.26 | 1.65 | 1.22 | 0.76 | 0.95 | 2.04 | 1.68 | 0.60 |
| Short Term Fund | | 0.01 | (0.01) | 0.05 | 0.06 | 0.11 | 0.18 | 0.21 | 0.13 | 0.09 | 0.07 | 0.18 |
| Intermediate Term Fund | | 0.36 | 1.22 | 1.45 | 1.59 | 1.25 | 1.19 | N/A | N/A | N/A | N/A | N/A |

(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical errors in benchmark construction and calculation: (a) to reflect actual asset target allocations which were in place, or the practical implementation of changes to those policy allocations, and (b) to distinguish between PUF and GEF/LTF historical investment objectives and distribution policies by accurately representing actual asset class allocations during those periods.

Benchmark returns for the PUF and GEF/LTF policy portfolios were also restated for all prior periods beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previously for the Private Capital asset class. Specifically, the Wilshire 5000 + 4%, the benchmark used prior to January 1, 2004, was replaced with the Venture Economics Periodic IRR Index, a more appropriate benchmark measure for the actual Private Capital portfolio.

Effective August 10, 2006, benchmark returns for the PUF and GEF policy portfolios were also restated for periods beginning January 1, 2006 through April 30, 2006, and for the ITF policy portfolio for periods beginning February 1, 2006 to April 30, 2006, to replace benchmark returns for the Hedge Fund asset class due to integrity concerns regarding existing benchmarks. Specifically, composites of Standard & Poor's investable hedge fund indices were replaced with the MSCI Investable Hedge Fund Index.

Complete details of the [restatements](#) and previous policy portfolio benchmark history are documented on the UTIMCO website at www.UTIMCO.org or are available upon request.

(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by UTIMCO staff and external managers.

14. U. T. System Board of Regents: Approval of the Annual Budget, including the capital expenditures budget, and 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 as set forth on Page 120, which includes the capital expenditures budget, and the Annual Fee and Allocation Schedule for the fiscal year ending August 31, 2008, as set forth on Page 123.

BACKGROUND INFORMATION

A proposed Annual Budget of \$64.6 million for Fiscal Year 2008 was approved by the UTIMCO Board on July 11, 2007. The proposed Budget is an increase of \$16.8 million or 35% from the Fiscal Year 2007 Forecast.

Of the \$64.6 million Fiscal Year 2008 Budget, however, only \$15.4 million is for UTIMCO services and \$6.5 million is for non-investment manager services such as custodial, legal, audit, and consulting services charged to the Funds. This combined \$21.9 million compares to the \$17.5 million Fiscal Year 2007 Forecast or an increase of \$4.4 million, \$3.1 million of which is compensation-related resulting from budgeting to fill open positions and promotions/raises for existing staff.

The remainder of the Budget is for investment manager annual and performance fees charged directly to the Funds. The budgeted increase is primarily driven by fund performance assumptions.

Discussion materials presented by UTIMCO President, Chief Executive Officer, and Chief Investment Officer Bruce Zimmerman are on Pages 119 - 123.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling \$.4 million is included in the total Annual Budget.

The Office of Finance Review of the UTIMCO Budget FY 2008 is on Pages 124 - 139.

Budget materials prepared by
UTIMCO



| | 2006/07 Budget | 2006/07 Forecast | 2007/08 Budget | 2007/08 Budget vs 2006/07 Forecast | |
|--|-------------------|---------------------|-------------------|---------------------------------------|------------|
| (\$ in millions) | | | | | |
| UTIMCO Services | \$ | \$ | \$ | \$ | % |
| Salaries | \$ 5.9 | \$ 5.0 | \$ 6.0 | \$ 1.0 | 21% |
| Bonus | 2.9 | 1.8 | 3.3 | 1.5 | 82% |
| Employee Benefits | 1.0 | 0.8 | 1.2 | 0.4 | 56% |
| Payroll taxes | 0.4 | 0.3 | 0.4 | 0.1 | 37% |
| Total Compensation | 10.2 | 7.9 | 10.9 | 3.0 | 39% |
| Other Personnel Related Costs | 0.6 | 0.6 | 0.7 | 0.1 | 9% |
| Occupancy | 1.2 | 1.4 | 1.6 | 0.2 | 15% |
| Travel | 0.4 | 0.2 | 0.4 | 0.2 | 98% |
| Other Direct | 1.5 | 1.9 | 1.8 | (0.1) | -6% |
| Total UTIMCO Services | 13.9 | 12.0 | 15.4 | 3.4 | 28% |
| Direct Costs to Funds | | | | \$ | % |
| Custodian Fees and Other Direct Costs | 1.3 | 1.5 | 1.5 | \$ - | 4% |
| Performance & Risk Measurement and Analytics | 1.8 | 1.4 | 1.5 | 0.1 | 7% |
| Consultant Fees | 1.4 | 1.2 | 1.3 | 0.1 | 7% |
| Legal & Audit | 1.3 | 1.2 | 1.9 | 0.7 | 62% |
| Other | 0.3 | 0.2 | 0.3 | 0.1 | 20% |
| Cost to Funds Excluding Investment Manager Fees | 6.1 | 5.5 | 6.5 | 1.0 | 18% |
| UTIMCO + Non-Investment Manager Cost to Funds | 20.0 | 17.5 | 21.9 | 4.4 | 25% |
| Investment Manager Fees Charged to Funds | 16.8 | 16.8 | 19.0 | 2.2 | 13% |
| Inv Mgr Performance Fees Charged to Funds | 20.6 | 13.5 | 23.7 | 10.2 | 76% |
| Total Investment Manager Fees | 37.4 | 30.3 | 42.7 | 12.4 | 41% |
| Grand Total | \$ 57.4 | \$ 47.8 | \$ 64.6 | \$ 16.8 | 35% |

| Capital Expenditures | | | | \$ | % |
|-----------------------------------|---------------|---------------|---------------|---------------|-------------|
| Ongoing | \$ 0.2 | \$ 0.2 | \$ 0.2 | \$ - | 0% |
| Expansion | - | - | 0.2 | 0.2 | 100% |
| Total Capital Expenditures | \$ 0.2 | \$ 0.2 | \$ 0.4 | \$ 0.2 | 100% |



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

| | Actual | | | | | | Projected FY 07 | Budget - AUM Flat | Budget - AUM 3% |
|---|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|----------------------|--------------------|
| | FY 02 | FY 03 | FY 04 | FY 05 | FY 06 | FY 08 | | FY 08 | |
| (\$ in millions) | | | | | | | | | |
| Average Total Assets Under Management (AuM): | \$ 13,716 | \$ 14,034 | \$ 15,470 | \$ 17,245 | \$ 19,372 | \$ 22,162 | \$ 22,162 | \$ 22,827 | |
| Costs excluding Investment Manager Expenses | | | | | | | | | |
| UTIMCO Services | \$5 | \$7 | \$8 | \$10 | \$11 | \$12 | \$15 | \$15 | |
| Costs to Funds (Other than Investment Manager) | 5 | 4 | 4 | 5 | 5 | 6 | 7 | 7 | |
| UTIMCO + Non-Investment Manager Cost to Funds | \$10 | \$11 | \$12 | \$15 | \$16 | \$18 | \$22 | \$22 | |
| Costs/AuMs (basis points) | | | | | | | | | |
| UTIMCO Services | 3 | 5 | 5 | 6 | 6 | 5 | 7 | 7 | |
| Costs to Funds (Other than Investment Manager) | 4 | 3 | 3 | 3 | 2 | 3 | 3 | 3 | |
| UTIMCO Services + Costs to Funds | 7 | 8 | 8 | 9 | 8 | 8 | 10 | 10 | |
| Investment Manager Fees | | | | | | | | | |
| Annual Management Fees | | | | | | | | | |
| Netted Against Net Asset Value/Capital Balance Charged to Funds | \$51 | \$53 | \$62 | \$77 | \$111 | \$149 | \$170 | \$170 | |
| Total Annual Management Fees | 11 | 9 | 13 | 13 | 18 | 17 | 19 | 19 | |
| | \$62 | \$62 | \$75 | \$90 | \$129 | \$166 | \$189 | \$189 | |
| Performance Fees | | | | | | | | | |
| Netted Against Net Asset Value/Capital Balance Charged to Funds | \$12 | \$44 | \$57 | \$91 | \$81 | \$234 | \$158 | \$158 | |
| Total Performance Fees | 4 | 3 | 9 | 16 | 30 | 13 | 24 | 24 | |
| | \$16 | \$47 | \$66 | \$107 | \$111 | \$247 | \$182 | \$182 | |
| Total Investment Manager Fees | \$78 | \$109 | \$141 | \$197 | \$240 | \$413 | \$371 | \$371 | |
| Costs/AuMs (basis points) | | | | | | | | | |
| Annual Management Fees | 45 | 44 | 48 | 52 | 67 | 75 | 85 | 83 | |
| Performance Fees | 12 | 33 | 43 | 62 | 57 | 111 | 82 | 80 | |
| Total Fees | 57 | 77 | 91 | 114 | 124 | 186 | 167 | 163 | |

Active Management Value Added

| PUF & GEF | Return Year ending August 31, 2002 | Return Year ending August 31, 2003 | Return Year ending August 31, 2004 | Return Year ending August 31, 2005 | Return Year ending August 31, 2006 | Return 10 months ending June 30, 2007 |
|--|---|---|---|---|---|--|
| Passive Portfolio Return <i>(70% S&P 500; 30% Lehman Agg Bond)</i> | -10.49% | 10.23% | 9.95% | 10.07% | 6.72% | 12.77% |
| PUF & GEF Actual Return <i>Net of Fees</i> | -7.28% | 12.21% | 14.68% | 18.78% | 11.13% | 15.19% |
| Active Management Net Value Added Return | 3.21% | 1.98% | 4.73% | 8.71% | 4.41% | 2.42% |
| Net Value Added Fiscal YTD (\$ in thousand) | \$ 358,301 | \$ 201,473 | \$ 520,522 | \$ 1,060,864 | \$ 630,702 | \$ 386,811 |
| "Tactical" Allocation Decisions YTD | \$ - | \$ - | \$ - | \$ (87,461) | \$ (40,227) | \$ (73,080) |
| Net Value Added Excluding *Tactical Decisions | \$ 358,301 | \$ 201,473 | \$ 520,522 | \$ 1,148,325 | \$ 670,929 | \$ 459,891 |

UTIMCO Budget
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2008

| | The Permanent University Fund (PUF) | The Permanent Health Fund (PHF) | The University of Texas System Long Term Fund (LTF) | The University of Texas System Intermediate Term Fund (ITF) | Short Term Fund (STF) | Separately Invested Endowments and Charitable Trust Accounts | Total |
|--|-------------------------------------|---------------------------------|---|---|-----------------------|--|-----------------|
| Market Value 2/28/07 (\$ millions) | \$ 11,059 | \$ 1,047 | \$ 4,950 | \$ 3,519 | \$ 1,267 | \$ 200 | \$ 22,042 |
| UTIMCO Management Fee (includes all operating expenses associated with the general management of the Funds) | \$ 7.5 49% | \$ 0.9 6% | \$ 4.4 29% | \$ 2.6 17% | | | \$ 15.4 100% |
| Allocation Ratio | | | | | | | |
| Direct Expenses of the Fund | | | | | | | |
| External Management Fees | \$ 9.7 | \$ - | \$ - | \$ 4.0 | | | \$ 19.0 |
| External Management Fees - Performance Based | 12.8 | - | - | 4.1 | | | 23.7 |
| Other Direct Costs | 3.2 | - | 0.2 | 1.0 | | | 6.5 |
| Total Direct Expenses of the Fund | 25.7 | - | 0.2 | 9.1 | | | 49.2 |
| TOTAL | \$ 33.2 | \$ 0.9 | \$ 4.6 | \$ 11.7 | | | \$ 64.6 |
| Percentage of Market Value (in basis points) | | | | | | | |
| UTIMCO Services | 6.8 | 8.6 | 8.8 | 7.2 | | | 7.0 |
| Direct Expenses of the Fund | 23.3 | 23.9 | 24.0 | 26.0 | | | 22.3 |
| TOTAL | 30.1 | 32.5 | 32.8 | 33.2 | | | 29.3 |

Budget Review prepared by the Office of Finance

July 17, 2007

Fiscal Year 2008

UTIMCO BUDGET REVIEW

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

Prepared by:

**Cathy Swain – Director of Investment Oversight
William Huang – Senior Financial Analyst**

July 17, 2007

Fiscal Year 2008 UTIMCO BUDGET REVIEW

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Fiscal Year 2008 UTIMCO BUDGET REVIEW

I. EXECUTIVE SUMMARY

This review, prepared for the U. T. System Board of Regents and the Chancellor, offers information and analysis to help address fiduciary duties to manage and control investment management costs, making a reasonable effort to determine that the costs are “reasonable and appropriate,” as required by the new Texas Uniform Prudent Management of Investment Funds Act (UPMIFA).

This report reviews The University of Texas Investment Management Company (UTIMCO) staff’s proposed **\$64.6 million FY08 budget**, consisting of **UTIMCO Services** (corporate) and **Direct Costs to U. T. System Funds** (third party management and performance fees, custodial, consulting, direct legal, audit, and risk management). **Capital expenditures** totaling nearly **\$356k** are also reviewed. FY07 projections provided by UTIMCO staff are based on actual UTIMCO Services expenses through April 30 and actual Direct Costs to Funds through May 31, 2007.

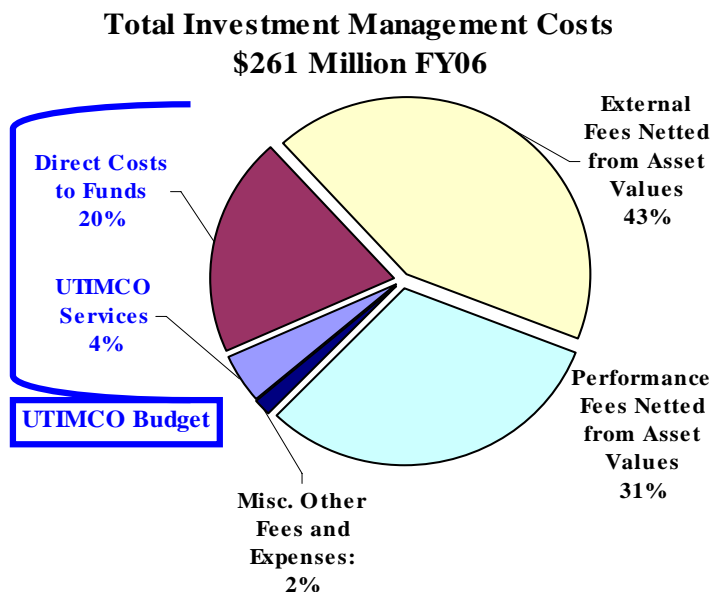
Total investment management costs through FY06 are briefly summarized on page 2. The Office of Finance will update and further analyze total costs in comparison to performance and value added when audited financials for FY07 are available, and report the results during the second fiscal quarter of FY08.

Highlights: Although the timing of the budget presentation was delayed for revisions, we appreciate UTIMCO staff’s efforts to provide full detailed disclosure of operations and assumptions.

- **UTIMCO Costs in FY07** are projected to be nearly 17% under budget overall.
- **Average Assets Managed per Employee** increased 29% from FY03 - FY07, evidencing some economies of scale. This was accomplished even with centralization of operating funds implemented during FY06, which required a major commitment by UTIMCO staff to fully invest the new Intermediate Term Fund’s more than \$3 billion in a diversified portfolio asset allocation.
- **Total Costs FY02 - FY06** (page 2): Total costs, dominated by external management and performance fees, more than doubled as a percentage of average assets under management from **0.66% in FY02 to 1.35% in FY06**.
- **Salaries** (page 5): Nearly half of the **20.6%** increase in budgeted salaries (\$1.0 million) relates to filling 11 open positions and three new budgeted positions; the balance reflects **12.1%** average salary increases for existing staff overall (including promotions, but excluding the president).
- **Lease Expense** (page 6): Lease expenses are continuing to escalate per the original lease terms.
- **Risk Management** (pages 7-8): Expenditures that are chronically below budgeted amounts for risk analytic tools raise questions about transparency of private holdings for risk management purposes.
- **Audit and Legal** (page 8): Audit and controls assessment fees are budgeted at more than double last year due to changing audit firms and additional time required to audit valuations of alternative investments. The trend to higher legal fees is also expected to continue with the increasing asset base and continuing shift to more complex alternative investments throughout the portfolios.
- **UTIMCO fee allocation** (page 9): The **\$15.4 million** UTIMCO Services fee is a 10.3% increase over the FY07 fee in dollar terms; however, at 0.070% of February 28, 2007 assets under management (AUM), the UTIMCO Services fee is slightly lower than this year’s 0.072% of mid-year FY06 AUM.
- **UTIMCO Reserves** (Exhibit D): UTIMCO staff’s analysis of the UTIMCO fiscal year-end balance sheet estimates **\$875k** in available cash reserves. In 2004 and 2005, a total of \$8 million in surplus UTIMCO corporate reserves (\$4 million each year) were distributed back to the U. T. System Funds. There was no distribution in 2006 and we recommend no distribution again this year.

II. Total Investment Management Costs

UTIMCO budgeted costs examined in this report include UTIMCO Services costs for corporate operations and Direct Costs of Funds, or fees and expenses paid directly by the funds for third party services. Proposed capital expenditures are also discussed.



The chart illustrates that in FY06, UTIMCO Services and direct budgeted costs represented only 24% of the \$261 million in total costs. Investment fund management fees and expenses for partnerships, hedge funds, mutual funds that are netted from reported investment results are not budgeted because they are not paid directly by U. T. System Funds. These expenses in FY06 were 74% of total investment management costs. Other expenses budgeted by the U. T. System (2% of total costs) are fees for education and endowment compliance (LTF only), and investment oversight.

Table 1 below shows the trend of total actual investment management costs as a percentage of average assets under management (AUM) [from **0.66% of AUM (\$90.6 million) in FY02 to 1.35% of AUM (\$260.9 million) in FY06**]. Increases in external management and performance fees reflect the shift to alternative investments throughout the portfolios. We are recommending that investment management costs be benchmarked against peers again in FY08.

Table 1
UTIMCO Total Investment Cost Summary Trend FY02 - FY06 (\$ Millions)

| | FY02 | FY03 | FY04 | FY05 | FY06 | % of Total Costs |
|---|--------------|--------------|--------------|--------------|--------------|------------------|
| UTIMCO Services | 5.0 | 7.6 | 8.8 | 10.2 | 11.3 | 4% |
| Direct Costs to Funds | 20.1 | 16.0 | 25.5 | 33.8 | 52.3 | 20% |
| External Fees Netted from Asset Values | 50.6 | 52.7 | 62.5 | 76.5 | 111.3 | 43% |
| Performance Fees Netted from Asset Values | 12.0 | 44.0 | 56.9 | 90.5 | 81.6 | 31% |
| Miscellaneous Other Fees and Expenses: | 2.9 | 3.0 | 3.0 | 3.8 | 4.4 | 2% |
| Total Investment Management Costs | 90.6 | 123.3 | 156.7 | 214.8 | 260.9 | 100% |
| Total % of Average Assets Under Management * | 0.66% | 0.88% | 1.01% | 1.25% | 1.35% | |

*Average assets under management were calculated using beginning and ending FY totals as of August 31 and dividing by two.

III. UTIMCO Operating Budget Analysis and Trends

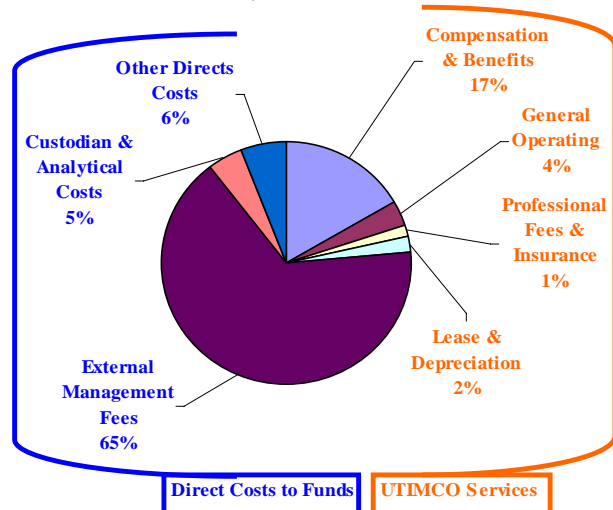
UTIMCO proposes a total budget for FY08 (excluding capital expenditures) of **\$64.6 million**. Table 2 on page 3 shows the trend of Direct Costs to Funds and UTIMCO Services costs as a percent of total funds under management, including operating funds, since FY02. Total budgeted investment management costs peaked in FY06, are projected to normalize in FY07, returning to peak levels budgeted for FY08.

Table 2
UTIMCO Budgeted Investment Management Cost Trend FY02 - FY08 (\$ Millions)

| | Actual | | | | | Projected | Budget |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 |
| Average Total Assets Under Management (AUM) * | 13,716 | 14,034 | 15,470 | 17,245 | 19,372 | 22,042 | 22,042 |
| % Change in AUM | -8% | 2% | 10% | 11% | 12% | 14% | 0% |
| UTIMCO Services | 5.0 | 7.6 | 8.8 | 10.2 | 11.3 | 12.0 | 15.4 |
| % Change in UTIMCO Services | | 53% | 16% | 16% | 11% | 6% | 28% |
| UTIMCO Services % of AUM | 0.036% | 0.054% | 0.057% | 0.059% | 0.058% | 0.054% | 0.070% |
| Direct Costs to Funds | 20.1 | 16.0 | 25.5 | 33.8 | 52.3 | 35.8 | 49.2 |
| % Change in Direct Costs to Funds | | -20% | 59% | 33% | 55% | -32% | 37% |
| Direct Costs to Funds % of AUM | 0.147% | 0.114% | 0.165% | 0.196% | 0.270% | 0.162% | 0.223% |
| Total Budgeted Costs | 25.1 | 23.6 | 34.3 | 44.0 | 63.6 | 47.8 | 64.6 |
| % Change in Total Budgeted Costs | | -6% | 45% | 28% | 45% | -25% | 35% |
| Total Budgeted Costs % of AUM | 0.183% | 0.169% | 0.222% | 0.255% | 0.328% | 0.217% | 0.293% |

*Total average assets under management (AUM) were calculated for FY 2003-2006 using beginning and ending FY totals as of August 31 and dividing by two. Values shown for FY07 and FY08 are actual total assets as of February 28, 2007. Actual total AUM as of May 31, 2007 were \$23.668 billion.

FY 2008 UTIMCO Budget Components
\$64.6 million



The chart shows the breakdown of the total UTIMCO budget. The UTIMCO Services operating budget accounts for 24% of the total, with personnel costs the largest component. Direct Costs to Funds include external management and performance fees paid directly, custodial, consulting, legal, analytical, and other direct costs. External management fees paid directly dominate the total budget (65%). UTIMCO retains external managers for approximately 76% of the \$23.7 billion in assets (including operating funds), as of May 31, 2007; internal staff manages 24% of fund assets, plus approximately **\$4.8 billion** in gross-weighted derivatives positions (as of 5/31/07).

Last Year's Forecast for FY06: This time last year UTIMCO staff forecast UTIMCO budgeted costs for FY06 to be \$53.9 million, nearly 11% over the \$48.5

million budgeted. Actual total UTIMCO FY06 costs were \$63.6 million – \$15 million (31%) over budget and nearly \$10 million (18%) higher than forecast. Higher third party manager fees accounted for 90% of the forecast variance and were underestimated by more than \$9 million (24%). Direct costs forecast at \$43.4 million (0.21% of AUM) were actually \$52.3 million (0.27% of AUM).

Table 3 below compares summary FY07 budget, FY07 projected actual expenses, and the proposed FY08 budget. Refer to Exhibits A and B (pages 11 and 12) for more detailed FY07 forecast, FY08 proposed budget, and six-year trends for FY03-FY08.

Table 3
UTIMCO FY07 Projected Actual and FY08 Budget Overview

| | FY07 | | | | FY08 | | | |
|-----------------------|------------|---------------------|--------------------------|-------------------------|------------|-----------------------------|----------------------------|-------------------------|
| | \$ Budget | Projected \$ Actual | \$ Change vs FY07 Budget | % Change vs FY07 Budget | \$ Budget | \$ Change vs FY07 Projected | % Change vs FY07 Projected | % Change vs FY07 Budget |
| UTIMCO Services | 13,940,638 | 12,007,190 | (1,933,448) | -13.9% | 15,369,830 | 3,362,640 | 28.0% | 10.3% |
| Direct Costs to Funds | 43,419,269 | 35,841,739 | (7,577,529) | -17.5% | 49,225,813 | 13,384,073 | 37.3% | 13.4% |
| Total Budget | 57,359,907 | 47,848,929 | (9,510,978) | -16.6% | 64,595,642 | 16,746,713 | 35.0% | 12.6% |

FY07 Forecast versus Budget: UTIMCO staff estimates that actual FY07 expenses will be approximately **\$47.85 million** or **\$9.5 million (17%) below** the total FY07 budget of \$57.4 million.

- **UTIMCO Services** corporate expenses are projected to be under budget by **\$1.9 million (14%)**
 - Unfilled positions, associated personnel costs, and reduced bonus expectations create nearly **\$2.4 million** in budget savings.
 - Savings are partly offset by corporate legal expenses at 100% (\$294k) over-budget, and excess recruiting and relocation costs.
- **Direct Costs to Funds** overall are projected to be under budget by **\$7.6 million (17.5%)**.
 - **External management and performance fees** are projected to be more than **\$7.1 million (19%)** under budget in FY07.
 - **Risk measurement** costs are projected at nearly **\$210k or 25% below budget**.
 - **Direct legal expenses** are nearly 18% below budget.
 - Custodial costs, on the other hand, are nearly 18% over budget.
- **Capital Expenditures** are substantially under budget year-to-date, but UTIMCO staff indicates that capital needs of **\$115k** over the next two months (primarily IT upgrades) will use the balance of the \$167k FY07 capital budget.

FY08 Proposed Budget: The proposed **\$64.6 million** total UTIMCO budget (excluding capital expenditures) for FY08 is **35%** higher than FY07 projected actual expenses, **12.6%** higher than the FY07 budget, but less than **4%** higher than actual FY06 comparable costs.

- **UTIMCO Services FY08** proposed budget is an **increase of 28%** over FY07 projected actual costs, primarily due to increases in personnel-related costs, and corporate lease expenses.
- **Direct Costs to Funds** in total are budgeted to **increase 37%** over actual costs forecast for FY07, mainly due to expected increases in third party management fees.
- **Capital Expenditures** of **\$356k** include IT planned upgrades, equipment and furniture for new staff.

IV. UTIMCO Services

This fiscal year FY07's budget was increased **\$669k** last fall to accommodate retention bonuses and other expenses that accompanied staff turnover starting in September 2006. FY07 UTIMCO Services are now projected to be below the revised budget by \$2.1 million excluding depreciation, and \$1.9 million (14%) overall. Nearly 71% of the FY08 UTIMCO Services budget (18% of the total budget) is directly related to personnel including employee benefits.

Trends in staffing and total compensation are shown in Table 4 on page 5. Staffing of 44 employees at yearend FY07 is understated, with 11 open positions due to staff turnover (56 budgeted positions). Average total assets under management (AUM) were calculated for FY 2003-2006 using beginning and ending FY totals as of August 31 and dividing by two. Values shown for FY07 and FY08 are actual assets as of mid-year February 28, 2007 (\$22.0 billion). The lag in estimated FY08 AUM results in understating FY08 AUM per employee and growth in AUM. [AUM as of May 31, 2007 is \$23.7 billion.] Subject to these limitations of understated FY07 staffing and FY08 AUM, we observe the following trends:

- UTIMCO staff has grown 22% from FY03 to FY07, while managed funds increased 57% in that same period. Budgeted staffing in FY08 of 58 employees represents an increase of 32% over FY07.
- Funds managed per employee increased 29% from FY03 to FY07.
- Total compensation increased 62% in the aggregate since FY03, at an annualized rate of 12.8%.
- Average total compensation per employee increased 32% since FY03 to more than \$154k forecast in FY07 - an annualized growth rate of 7.2%.
- Bonus compensation increased 64% since FY03 based on FY07 projected actual (13.2% annualized).
- Budgeted salaries increase 21% in FY08; bonuses increase 82%; and total compensation is budgeted at a one-year increase of 37%.

Table 4
UTIMCO Compensation and Headcount FY03 - FY08

| | FY03 Actual | FY04 Actual | FY05 Actual | FY06 Actual | FY07 Projected | Growth Rate Since FY03 | Growth Rate (annualized) | FY08 Budget* | FY08 % Increase from FY07 |
|-----------------------------------|----------------|----------------|----------------|----------------|-------------------|---------------------------------|--------------------------------|-----------------|------------------------------------|
| Employees (as of year end) | 36 | 36 | 43 | 41 | 44 | 22% | 5.1% | 58 | 32% |
| Average Total AUM (\$Millions) * | 14,034 | 15,470 | 17,245 | 19,372 | 22,042 | 57% | 11.9% | 22,042 | 0% |
| Average AUM/Employee (\$Millions) | 390 | 430 | 401 | 472 | 501 | 29% | 6.5% | 380 | -24% |
| Salaries and Wages | 3,102,883 | 3,773,961 | 4,203,100 | 4,492,078 | 4,985,344 | 61% | 12.6% | 6,011,318 | 21% |
| Bonus Compensation | 1,089,333 | 1,858,653 | 2,094,447 | 2,164,963 | 1,791,678 | 64% | 13.2% | 3,258,381 | 82% |
| Total Compensation | 4,192,216 | 5,632,614 | 6,297,547 | 6,657,040 | 6,777,021 | 62% | 12.8% | 9,269,699 | 37% |
| Total Compensation per Employee | 116,450 | 156,462 | 146,455 | 162,367 | 154,023 | 32% | 7.2% | 159,822 | 4% |
| Bonus as % of Salaries and Wages | 35% | 49% | 50% | 48% | 36% | | | 54% | |
| Bonus as % of Total Compensation | 26% | 33% | 33% | 33% | 26% | | | 35% | |

Staffing: In FY07 the budget was based on staffing of 55 employees; actual staffing is projected to be 44 employees at fiscal year-end 2007. Staff turnover during FY07 saved nearly \$2.4 million in budgeted personnel related costs, leaving an estimated 11 unfilled budgeted positions at year-end. UTIMCO staff provided a list of current budgeted unfilled positions and proposed new positions for FY08. Three budgeted positions have been open for at least three years. The FY08 budget adds three new positions and assumes that all open budgeted positions are filled for three quarters of the year.

Compensation: The FY08 budget for total compensation and employee benefits, representing 71% of the total UTIMCO Services budget, increased \$3.0 million (39%) to \$10.9 million from a projected \$7.8 million in FY07.

- **Salaries and Wages** are projected to be approximately \$925k (16%) under budget in FY07 because of staff turnover and unfilled positions. Nearly half of the overall budgeted increase in salaries of more than \$1.0 million (**20.6%**) results from new staffing; the remaining \$517k represents **12.1%** overall salary increases for existing staff (excluding the president), comprised as follows:
 - Promotions for seven key employees with increased responsibility (average raise **34%**).
 - Base salary increases averaging **9.7%** for 13 other performance plan participants.
 - Average base wage increases budgeted at **4.82%** for non-participants in the performance plan.
- **Bonus compensation** for FY07 based on performance year-to-date (including deferred bonuses earned in prior years and related investment income) is forecast at \$1.8 million - nearly \$1.1 million (38%) under budget and on average 36% of total salaries and wages - because of eligible staff departures, unfilled positions, and performance below budgeted expectations.

The FY08 budget of nearly **\$3.3 million** in bonuses is **82% higher** than projected FY07 actual bonuses, assuming that all eligible participants earn **70% of the maximum** incentive award and 30% of that earned amount is deferred, budgeted, and paid over the next three fiscal years. The FY08 budget also includes deferred bonuses earned by employees in prior years, related investment income (at 8.5%), and funds for a discretionary bonus pool up to 15% of salaries for employees not eligible to participate in the formal incentive plan.

In FY07 UTIMCO budgeted for 50% of the incentive award opportunity to be paid under the incentive bonus plan. This increase from 50% to 70% budgeting is based on the trend rate for actual bonuses earned by participants as a percentage of maximum (68.0% for FY06 and 69.5% for FY05).

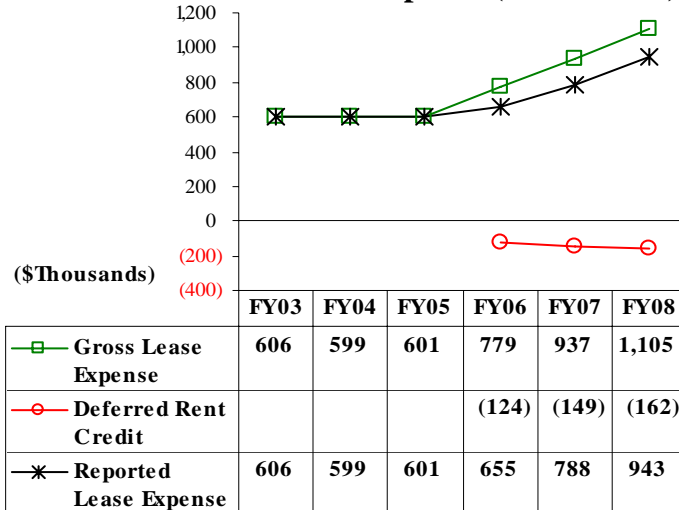
- **Employee Benefits** are expected to be under budget in FY07 by \$281k (27%) due to unfilled existing positions. Employee Benefits costs are budgeted to increase 59% to \$1.2 million in FY08, reflecting increased staffing and higher costs. Employee Benefits budgeted for FY08 cost roughly 19% of proposed base compensation. UTIMCO pays a portion of the cost of employee group health, dental,

life, short term disability, and long term disability insurance, and contributes on behalf of participating employees to a 403(b) retirement savings plan.

General Operating Expenses are on target with the budgeted amount for FY07 of \$1.9 million. The FY08 budget proposes a 14% increase, primarily due to increased staffing, for on-line data, contract services, recruiting and relocation expenses, and travel.

Lease Expense: The chart illustrates that lease expenses have started and will continue to escalate:

UTIMCO Lease Expense (\$Thousands)



- Base rent and parking costs are increasing.
- Rent for an additional 3,157 square feet of space commences in January 2008.
- Operating expenses that are passed through to tenants are escalating.

Lease expense in FY07 is projected to be 3% under budget; however, the (\$148k) amortization of the “deferred rent credit” (14 months of “free rent” plus leasehold improvements) that is recorded in the forecast was budgeted instead to reduce depreciation and amortization.

Gross lease expenses are approximately **\$937k** in FY07 (\$779k in FY06). FY08 budgeted lease expense of **\$943k** includes a **(\$162k)** credit for deferred rent amortization. Lease operating

expenses are estimated at 22% over budget in FY07 and budgeted to increase another 35% in FY08. Property taxes have already doubled since UTIMCO took occupancy, and UTIMCO staff is negotiating with management regarding last year’s pass-through charges (taxes insurance, utilities, management, etc.)

UTIMCO’s move in the fall of 2005 (FY06) to 70% larger space in the Frost Bank Tower was intended to accommodate staffing growth over the 11-year lease term. At budgeted staffing of 58 employees in FY08, the 29,000+ square foot space allows an average of more than 500 square feet per employee, including executive offices, conference spaces, and other common areas already completed; 3,157 square feet more space brings this average to more than 550 square feet per budgeted full time employee.

Professional Fees: Total Professional Fees are expected to be \$666k in FY07, **79% higher** than the budgeted amount of \$371k. Legal fees account for this difference, at 100% over budget mainly due to staff turnover during the year, legislative session, and other issues. Budgeted cost savings related to the recent addition of in-house counsel at UTIMCO are reflected in UTIMCO services proposed FY08 budget, at \$230k less than projected FY07 actual fees.

V. UTIMCO Capital Expenditures

Capital expenditures of nearly **\$356k** requested for FY08 are detailed in Exhibit C and summarized in Table 5 on page 7. Approximately \$194k in proposed expenditures include ongoing planned IT upgrades, and \$160k proposed for expansion includes equipment and furniture for new staff, and leasehold improvements for the additional 3,157 square feet of office space.

Capital Expenditures associated with the office move to the Frost Bank Tower through FY06 were approximately \$2.7 million, of which \$1.6 million was credited toward rent as an allowance for leasehold improvements. UTIMCO staff advises that leasehold improvements up to a maximum of the **\$55 psf** landlord allowance for the additional space will not require supplemental capital and will only be spent as needed to accommodate new staff.

Table 5
UTIMCO Capital Expenditures and Depreciation

| | Budget FY06 | Actual FY06 | Variance | Budget FY07 | Projected FY07 | Variance | Budget FY08 | Variance vs Projected FY07 |
|--|------------------|------------------|-------------|----------------|-------------------|------------|----------------|-------------------------------------|
| Leasehold Improvements (net) | 786,452 | 637,811 | -19% | - | 1,943 | N/A | 5,000 | 157% |
| Furniture & Fixtures (including artwork) | 485,000 | 499,461 | 3% | 47,000 | 41,170 | -12% | 104,599 | 154% |
| Office Equipment, Computers & Software | 366,000 | 267,506 | -27% | 120,000 | 121,040 | 1% | 245,970 | 103% |
| Total Capital | 1,637,452 | 1,404,778 | -14% | 167,000 | 164,153 | -2% | 355,569 | 117% |
| Total Depreciation/amortization | 535,900 | 504,637 | -6% | 410,720 | 564,487 | 37% | 607,500 | 8% |

Depreciation is projected to be over budget by about \$154k (37%) in FY07 because the amortization of deferred rent credit that was budgeted to reduce depreciation and amortization is reported as a credit against lease expense in FY07. "Deferred rent expense" (\$1.8 million) that includes allowances for leasehold improvements is amortized over the life of the lease.

VI. Direct Costs to Funds

Direct Costs to Funds for FY07, including centralized operating funds, are projected at \$35.8 million or 17.5% below a budgeted \$43.4 million. The FY08 budget increases 37% from projected FY07 costs. We are not prepared at this writing to review incremental direct costs for centralized operating funds.

Base and Performance Management Fees paid to external managers continue to increase in both dollar terms (Exhibit B page 11) and as a percentage of assets. These fees, projected at \$30.3 million in FY07 (19% below budget) and budgeted at \$42.7 million, represent approximately 86% of Direct Costs to Funds budgeted in FY08. UTIMCO staff estimates base and performance fees in detail, based on each manager's fee structure and asset base. Performance fees in particular are very difficult to forecast.

Custodial and performance measurement costs: Mellon custodial fees were reduced as a consequence of the RFP process completed in FY06. Competitive fee savings have been offset, however, by increasing assets and services, and custodial fees are forecast at \$1.5 million - \$221k (17.6%) over budget. The FY08 budget estimates these costs will increase only 4% over FY07 levels. Performance measurement expenses paid to Mellon in FY07 projected to be 21% below budget at \$419k, on the other hand, are budgeted in FY08 to increase 28% to \$537k.

Timely independent verification of performance and asset allocation information and close monitoring of internal derivative positions are critical to support UTIMCO's increasingly active management style. Internal derivatives positions of approximately **\$4.84 billion** gross-weighted (20% of U. T. System total assets as of May 31, 2007) require detailed reporting of underlying collateral and net asset values to mark-to-market positions for accurate performance reporting and risk measurement. To maintain minimal cash portfolio targets, accurate and timely trade (vs. settlement date) accounting is also necessary to accurately clear and match all current trading activities.

Risk Management: Risk Management System expenses charged to the funds are expected to be **25% (\$210k) under budget** again this fiscal year. Actual costs in FY06 were 66% below budget. Risk system costs for FY07 were budgeted at \$400k for the traditional portfolio and \$450k for 31 hedge funds (14 existing, 17 new) for a total of \$850k.

We have been concerned that FY07 projected expenditures are significantly below budget because transparency of external hedge fund holdings is lagging budgeted expectations. All public markets managers now report holdings for analysis in the risk model as of the end of each month, either to UTIMCO or directly to IFS; however, only **six of 48 hedge funds** are reporting holdings (\$335 million). The FY08 budget reflects costs of nine more funds reporting.

Absent actual holdings data, UTIMCO's risk model uses proxy indices and Albourne's proprietary factor- and return-based risk statistics to simulate the risk profile for **nearly one third of the U. T. System assets**: 42 hedge funds (approximately **\$5.65 billion** in U. T. System assets as of 6/30/07) and all private capital funds (**\$1.96 billion**). Concerns about the reliability of available data include:

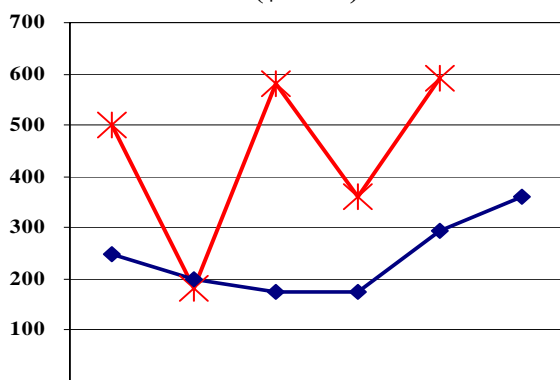
- Broad range of strategies with varying leverage and other risk factors among private capital and hedge funds.
- Broad range of returns, volatility, and correlation statistics among managers/funds.
- Flexibility of hedge fund managers to alter strategies and shift risk profiles dramatically and rapidly.
- Monthly reporting of risk statistics, available approximately three to four weeks after month-end.
- Small cap growth index proxy for private capital investments may not adequately characterize the portfolio risk.

UTIMCO staff's selection process for hedge funds attempts to mitigate portfolio risks by diversifying broadly, minimizing leverage, scrutinizing operational risk factors, and choosing funds with low historical volatility. As UTIMCO staff gains experience with the behavior of the proxy and consultant data relative to that of the actual hedge fund portfolios, confidence is increasing that these are reliable (arguably superior) substitutes for actual hedge fund holdings reported only once a month. [e.g., Actual annual returns of the hedge fund pool over the past 4 years were 11.9% with volatility of 3.2%, while the proxy showed annual returns of 10.25% with volatility of 3.2%.] More energy is needed, however, to increase confidence in the risk profile of the private capital portfolio.

Audit and Controls Assessment expenses in FY07 of \$336k funded Ernst & Young and U. T. System Audit Office fees for Sarbanes-Oxley controls assessments for UTIMCO Corporation, the PUF, GEF, LTF, and PHF. Audit fees for FY08, budgeted at **\$754k**, include **\$649k** for external auditors, U. T. System Audit Office charges of \$30k to assess controls for the ITF, and \$75k for an independent consultant to assess investment staff due diligence and monitoring policies and practices. The increase reflects the change in auditors and additional time required to audit valuations of alternative investments.

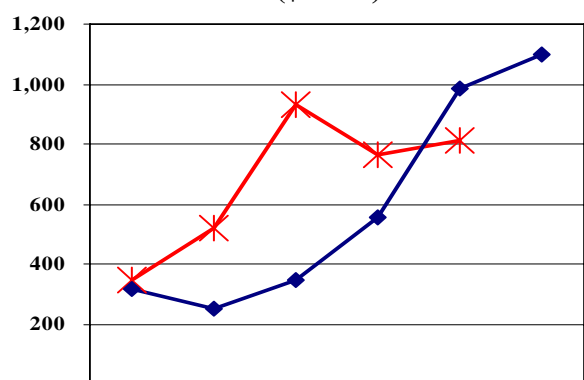
Legal fees: The charts below track budgeted and actual UTIMCO corporate legal fees and direct legal expenses charged to the funds since FY03. The spike in corporate legal fees in 2005 was attributed to disclosure issues related to private capital investments and analysis of centralization options; higher fees again in FY07 are due to staff turnover and legislative session issues. Legal fees paid directly by U. T. System Funds in FY07 are projected to be approximately \$810k (18% below budget). The budgeted \$290k (36%) increase in direct legal expenses in FY08 is partly due to the estimated \$250k cost of anticipated secondary market sales of certain private equity investments.

UTIMCO Services Legal Expenses
(\$000's)



| | FY03 | FY04 | FY05 | FY06 | FY07 Forecast | FY08 Budget |
|--------|------|------|------|------|---------------|-------------|
| Actual | 501 | 183 | 580 | 362 | 590 | |
| Budget | 250 | 200 | 175 | 175 | 295 | 360 |

Direct Costs to Funds Legal Expenses
(\$000's)



| | FY03 | FY04 | FY05 | FY06 | FY07 Forecast | FY08 Budget |
|--------|------|------|------|------|---------------|-------------|
| Actual | 344 | 518 | 933 | 762 | 810 | |
| Budget | 315 | 250 | 346 | 555 | 985 | 1,100 |

VII. Proposed UTIMCO Services Fee Allocation

Table 6 shows the allocation formula proposed by UTIMCO staff for FY08, including estimates of direct costs for each of the funds but excluding U. T. System administration education, compliance, and oversight fees and expenses. Note that the UTIMCO Services fee is charged to the PHF and the LTF, not to the GEF where they are pooled; direct costs, on the other hand, are charged to the GEF. The total budgeted expense as a percent of 2/28/07 market values for each fund is shown at the bottom of the table.

The **\$15.4 million UTIMCO Services fee** to be allocated to U. T. System funds is a 10.3% increase over the FY07 fee; however, it represents a slight decrease from this fiscal year's estimated 0.072% of 2/28/06 AUM (\$19.4 billion). The proposed formula for FY08 allocates 16.5% of budgeted UTIMCO Services expenses to the ITF, reduced from 20% in FY07 -- the first full fiscal year for the fund. The ITF represents approximately 16% of total assets as of February 28, 2007; and the compensation program weights the ITF at 15% for entity performance targets. At 0.072% of total 2/28/07 ITF assets, UTIMCO Services expenses allocated to the ITF are higher than the PUF, lower than the PHF and LTF.

Direct Expenses of the Funds: UTIMCO staff estimates external manager fees from the bottom up, looking at each manager and fund. Alternative investment funds (hedge funds and private equities) "net" fees and expenses from reported asset values, so these expenses are not paid directly by U. T. System funds. Because the ITF has no private equities but does have allocations to hedge funds comparable to the endowments, the proportion of total investment management fees paid directly by the ITF (as opposed to being netted from asset values) is slightly higher than for the other funds (0.260% of market value versus 0.233% estimated for the PUF and 0.236% estimated for the GEF).

Table 6
UTIMCO Fee and Direct Budgeted Expense Proposed Allocation Fiscal Year Ending August 31, 2008


| | Fund Name | | | | | | Separate Funds (SIF) | Total |
|---|-------------------|----------------|------------------|-------------------|-------------------|-------------|----------------------|-------------------|
| | PUF | PHF | LTF | GEF (2) | ITF | STF (1) | | |
| Market Value 2/28/07 (\$ millions) | 11,059 | 1,047 | 4,950 | 5,997 | 3,519 | 1,267 | 200 | 22,042 |
| Percent of Total Market Value as of 2/28/07 | 50.2% | 4.8% | 22.5% | 27.2% | 16.0% | 5.7% | 0.9% | 100% |
| FY07 UTIMCO Services Allocation Ratio | 46.2% | 6.0% | 27.8% | 33.8% | 20.0% | 0.0% | 0.0% | 100% |
| FY08 Proposed UTIMCO Services Allocation Ratio | 49.1% | 5.9% | 28.5% | 34.4% | 16.5% | 0.0% | 0.0% | 100% |
| FY07 UTIMCO Services Fee Allocation: | 6,445,522 | 835,883 | 3,874,828 | | 2,784,405 | | | 13,940,638 |
| UTIMCO Services Budgeted FY08 | 7,541,715 | 905,220 | 4,380,276 | | 2,542,618 | | | 15,369,829 |
| Direct Expenses of the Funds Budgeted FY08 | | | | | | | | |
| External Management Fees -- Base | 9,714,335 | 0 | 0 | 5,251,265 | 4,023,626 | N/A | | 18,989,226 |
| External Management Fees - Performance Based | 12,836,901 | 0 | 0 | 6,813,407 | 4,075,704 | | | 23,726,012 |
| Other Direct Costs | 3,186,661 | 29,705 | 190,055 | 2,061,907 | 1,042,247 | 0 | 0 | 6,510,576 |
| Total Direct Expenses of the Funds | 25,737,897 | 29,705 | 190,055 | 14,126,580 | 9,141,576 | | 0 | 49,225,813 |
| TOTAL | 33,279,612 | 934,925 | 4,570,331 | 14,126,580 | 11,684,194 | N/A | 0 | 64,595,642 |
| Percent of Total Direct Expenses of the Funds | 51.5% | 1.4% | 7.1% | 21.9% | 18.1% | 0.0% | 0.0% | 100.0% |
| Budgeted Expense Percent of 2/28/07 Market Value (3) | | | | | | | | |
| UTIMCO Services Percent of 2/28/07 Market Value (3) | 0.068% | 0.086% | 0.088% | 0.000% | 0.072% | 0% | 0% | 0.070% |
| Direct Expenses Percent of 2/28/07 Market Value | 0.233% | 0.003% | 0.004% | 0.236% | 0.260% | 0% | 0% | 0.223% |
| SUBTOTAL Percent of 2/28/07 Market Value | 0.301% | 0.089% | 0.092% | 0.236% | 0.332% | 0% | 0% | 0.293% |
| TOTAL Budgeted Costs % of 2/28/07 Market Values | 0.301% | 0.325% | 0.328% | | 0.332% | 0% | 0% | 0.293% |

(1) Money Market Fund Income is net of fees and direct expenses.

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

(3) Total UTIMCO Services fee of 0.070% compares to 0.072% of \$19.4 billion mid-year FY06 AUM; PHF and LTF include GEF expenses.

EXHIBIT A

|  | UTIMCO Operating Expenses/Budgets FY07-FY08 | | | | | | | | | |
|---|--|-------------------|-------------------|----------------------------|---------------|-------------------|-------------------|-------------------------------|--------------|----------------------------|
| | 8/31/2007 | | | Change from 2007 Budget | | 8/31/2008 | | Change from 2007 Projected | | Change from 2007 Budget |
| | Budget | YTD* | Projected | \$ | % | Budget | \$ | % | % | |
| UTIMCO Services | | | | | | | | | | |
| Salaries and Wages + Vacation | 5,909,955 | 3,514,309 | 4,985,344 | (924,611) | -15.6% | 6,011,318 | 1,025,974 | 20.6% | 1.7% | |
| Bonus Compensation + Interest | 2,870,989 | 1,144,971 | 1,791,678 | (1,079,311) | -37.6% | 3,258,381 | 1,466,703 | 81.9% | 13.5% | |
| Total Compensation | 8,780,944 | 4,659,279 | 6,777,021 | (2,003,923) | -22.8% | 9,269,699 | 2,492,678 | 36.8% | 5.6% | |
| Total Payroll taxes | 379,878 | 199,070 | 305,035 | (74,843) | -19.7% | 418,017 | 112,982 | 37.0% | 10.0% | |
| 403(b) Contributions | 426,313 | 226,893 | 334,992 | (91,321) | -21.4% | 461,748 | 126,755 | 37.8% | 8.3% | |
| Group Health, Dental, AD&D, Life, LTD | 608,535 | 284,105 | 419,299 | (189,236) | -31.1% | 715,326 | 296,027 | 70.6% | 17.5% | |
| Employee Benefits | 1,034,848 | 510,997 | 754,291 | (280,557) | -27.1% | 1,177,073 | 422,782 | 56.1% | 13.7% | |
| On-Line Data & Contract Services | 879,861 | 555,916 | 830,521 | (49,340) | -5.6% | 881,304 | 50,783 | 6.1% | 0.2% | |
| Recruiting and Relocation Expenses | 323,500 | 308,031 | 529,041 | 205,541 | 63.5% | 440,004 | (89,037) | -16.8% | 36.0% | |
| Travel | 349,320 | 118,504 | 197,152 | (152,168) | -43.6% | 396,070 | 198,918 | 100.9% | 13.4% | |
| Phone Equipment and Charges | 32,250 | 29,894 | 44,819 | 12,569 | 39.0% | 48,600 | 3,781 | 8.4% | 50.7% | |
| Computer & Office Supplies | 85,325 | 49,224 | 73,804 | (11,521) | -13.5% | 128,472 | 54,668 | 74.1% | 50.6% | |
| Employee Education | 51,175 | 10,647 | 17,647 | (33,528) | -65.5% | 35,200 | 17,553 | 99.5% | -31.2% | |
| Repairs/Maintenance | 82,950 | 69,905 | 104,985 | 22,035 | 26.6% | 114,000 | 9,015 | 8.6% | 37.4% | |
| BOD Meetings | 37,500 | 36,064 | 50,064 | 12,564 | 33.5% | 57,000 | 6,936 | 13.9% | 52.0% | |
| Other Operating Expenses | 49,053 | 41,014 | 54,810 | 5,757 | 11.7% | 60,440 | 5,630 | 10.3% | 23.2% | |
| Total General Operating | 1,890,934 | 1,219,199 | 1,902,843 | 11,909 | 0.6% | 2,161,090 | 258,247 | 13.6% | 14.3% | |
| Total Lease Expense | 809,739 | 494,746 | 788,193 | (21,546) | -2.7% | 943,042 | 154,848 | 19.6% | 16.5% | |
| Invest., Hiring & Board Consultants | 18,850 | 10,124 | 15,124 | (3,726) | -19.8% | 30,000 | 14,876 | 98.4% | 59.2% | |
| Legal Expenses | 295,000 | 449,884 | 589,884 | 294,884 | 100.0% | 360,000 | (229,884) | -39.0% | 22.0% | |
| Compensation Consultant | 12,500 | 13,100 | 13,100 | 600 | 4.8% | 120,000 | 106,900 | 816.0% | 860.0% | |
| Accounting fees | 45,000 | 38,240 | 48,240 | 3,240 | 7.2% | 31,500 | (16,740) | -34.7% | -30.0% | |
| Total Professional Fees | 371,350 | 511,347 | 666,347 | 294,997 | 79.4% | 541,500 | (124,847) | -18.7% | 45.8% | |
| Property/Liability Package | 15,750 | 12,699 | 18,685 | 2,935 | 18.6% | 18,407 | (278) | -1.5% | 16.9% | |
| Umbrella Policy | 5,950 | 3,667 | 5,500 | (450) | -7.6% | 5,637 | 137 | 2.5% | -5.3% | |
| Workers Compensation | 12,250 | 13,369 | 18,808 | 6,558 | 53.5% | 16,725 | (2,083) | -11.1% | 36.5% | |
| Business Auto | 775 | 515 | 779 | 4 | 0.5% | 810 | 31 | 4.0% | 4.5% | |
| Commercial Bonding Policy | 45,000 | 27,267 | 40,900 | (4,100) | -9.1% | 41,922 | 1,022 | 2.5% | -6.8% | |
| Prof., D&O & Emp. Practices Liability | 182,500 | 109,533 | 164,300 | (18,200) | -10.0% | 168,408 | 4,108 | 2.5% | -7.7% | |
| Total Insurance | 262,225 | 167,049 | 248,971 | (13,254) | -5.1% | 251,909 | 2,938 | 1.2% | -3.9% | |
| Depreciation of Equipment | 410,720 | 376,325 | 564,487 | 153,767 | 37.4% | 607,500 | 43,013 | 7.6% | 47.9% | |
| Total UTIMCO Services | 13,940,638 | 8,138,013 | 12,007,190 | (1,933,448) | -13.9% | 15,369,830 | 3,362,640 | 28.0% | 10.3% | |
| Direct Costs to Funds | | | | | | | | | | |
| External Management Fees | 16,847,098 | 12,122,601 | 16,814,781 | (32,318) | -0.2% | 18,989,226 | 2,174,445 | 12.9% | 12.7% | |
| External Mgt. Fees-Performance Fees | 20,585,849 | 8,365,012 | 13,511,475 | (7,074,374) | -34.4% | 23,726,012 | 10,214,537 | 75.6% | 15.3% | |
| External Management Fees | 37,432,947 | 20,487,614 | 30,326,255 | (7,106,692) | -19.0% | 42,715,238 | 12,388,983 | 40.9% | 14.1% | |
| Custodian Fees and Other Direct Costs | 1,260,072 | 1,112,366 | 1,481,423 | 221,351 | 17.6% | 1,536,375 | 54,953 | 3.7% | 21.9% | |
| Performance Measurement | 530,599 | 314,152 | 418,869 | (111,730) | -21.1% | 536,700 | 117,830 | 28.1% | 1.1% | |
| Analytical Tools | 386,700 | 275,423 | 374,990 | (11,710) | -3.0% | 400,000 | 25,010 | 6.7% | 3.4% | |
| Risk Measurement | 850,000 | 500,667 | 639,667 | (210,333) | -24.7% | 593,500 | (46,167) | -7.2% | -30.2% | |
| Custodian and Analytical Costs | 3,027,371 | 2,202,607 | 2,914,949 | (112,423) | -3.7% | 3,066,575 | 151,626 | 5.2% | 1.3% | |
| Consultant Fees | 1,356,000 | 913,029 | 1,235,227 | (120,773) | -8.9% | 1,325,000 | 89,773 | 7.3% | -2.3% | |
| Auditing | 205,000 | 155,000 | 211,500 | 6,500 | 3.2% | 754,000 | 542,500 | 256.5% | 267.8% | |
| Controls Assessment (Sarbanes-Oxley) | 124,000 | 124,000 | 124,000 | 0 | 0.0% | 0 | (124,000) | -100.0% | -100.0% | |
| Printing | 182,250 | 178,155 | 178,155 | (4,095) | -2.2% | 195,000 | 16,845 | 9.5% | 7.0% | |
| Legal Fees | 985,000 | 563,296 | 809,546 | (175,454) | -17.8% | 1,100,000 | 290,454 | 35.9% | 11.7% | |
| Background Searches & Other | 106,700 | 20,662 | 42,108 | (64,592) | -60.5% | 70,000 | 27,892 | 66.2% | -34.4% | |
| Other Direct Costs Total | 2,958,950 | 1,954,142 | 2,600,536 | (358,414) | -12.1% | 3,444,000 | 843,464 | 32.4% | 16.4% | |
| Total Direct Costs to Funds | 43,419,269 | 24,644,363 | 35,841,739 | (7,577,529) | -17.5% | 49,225,813 | 13,384,073 | 37.3% | 13.4% | |
| Total Costs | 57,359,907 | 32,782,376 | 47,848,929 | (9,510,978) | -16.6% | 64,595,642 | 16,746,713 | 35.0% | 12.6% | |

*Actual UTIMCO Services expenses as of April 30, 2007 and Direct Costs to Funds expenses as of May 31, 2007.

EXHIBIT B


|  | UTIMCO Operating Expenses/Budgets FY03-FY08 | | | | | |
|---|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 8/31/2003 | 8/31/2004 | 8/31/2005 | 8/31/2006 | 8/31/2007 | 8/31/2008 |
| | Actual | Actual | Actual | Actual | Projected | Budget |
| UTIMCO Services | | | | | | |
| Salaries and Wages + Vacation | 3,102,883 | 3,773,961 | 4,203,100 | 4,492,078 | 4,985,344 | 6,011,318 |
| Bonus Compensation + Interest | 1,089,333 | 1,858,653 | 2,094,447 | 2,164,963 | 1,791,678 | 3,258,381 |
| Total Compensation | 4,192,216 | 5,632,614 | 6,297,547 | 6,657,040 | 6,777,021 | 9,269,699 |
| Total Payroll taxes | 195,076 | 206,777 | 313,637 | 312,023 | 305,035 | 418,017 |
| 403(b) Contributions | 219,898 | 280,400 | 304,359 | 327,724 | 334,992 | 461,748 |
| Group Health, Dental, AD&D, Life, LTD | 201,090 | 259,932 | 315,457 | 406,756 | 419,299 | 715,326 |
| Employee Benefits | 420,988 | 540,332 | 619,816 | 734,480 | 754,291 | 1,177,073 |
| On-Line Data & Contract Services | 417,995 | 598,504 | 677,346 | 811,883 | 830,521 | 881,304 |
| Recruiting and Relocation Expenses | 359,917 | 2,513 | 35,600 | 216,927 | 529,041 | 440,004 |
| Travel | 109,138 | 138,855 | 170,069 | 205,965 | 197,152 | 396,070 |
| Phone Equipment and Charges | 41,990 | 45,660 | 39,340 | 46,965 | 44,819 | 48,600 |
| Computer & Office Supplies | 73,887 | 58,934 | 68,431 | 143,372 | 73,804 | 128,472 |
| Employee Education | 14,424 | 20,244 | 21,814 | 13,728 | 17,647 | 35,200 |
| Repairs/Maintenance | 39,453 | 45,576 | 56,434 | 85,412 | 104,985 | 114,000 |
| BOD Meetings | 29,811 | 17,541 | 27,552 | 52,375 | 50,064 | 57,000 |
| Other Operating Expenses | 30,044 | 62,066 | 52,306 | 106,401 | 54,810 | 60,440 |
| Total General Operating | 1,116,659 | 989,893 | 1,148,892 | 1,683,029 | 1,902,843 | 2,161,090 |
| Total Lease Expense | 606,013 | 599,047 | 600,593 | 655,286 | 788,193 | 943,042 |
| Invest., Hiring & Board Consultants | 2,000 | 0 | 17,500 | 20,175 | 15,124 | 30,000 |
| Legal Expenses | 500,823 | 183,102 | 579,720 | 362,045 | 589,884 | 360,000 |
| Compensation Consultant | 45,200 | 108,397 | 33,650 | 95,920 | 13,100 | 120,000 |
| Accounting fees | 6,870 | 12,910 | 30,135 | 54,106 | 48,240 | 31,500 |
| Total Professional Fees | 554,893 | 304,409 | 661,005 | 532,246 | 666,347 | 541,500 |
| Property/Liability Package | 15,009 | 16,657 | 28,797 | 22,993 | 18,685 | 18,407 |
| Umbrella Policy | 6,756 | 7,521 | 6,720 | 5,500 | 5,500 | 5,637 |
| Workers Compensation | 14,109 | 18,227 | 17,419 | 13,109 | 18,808 | 16,725 |
| Business Auto | 175 | 186 | 469 | 756 | 779 | 810 |
| Commercial Bonding Policy | 39,138 | 42,879 | 28,849 | 27,752 | 40,900 | 41,922 |
| Prof., D&O & Emp. Practices Liability | 158,881 | 173,208 | 171,959 | 150,525 | 164,300 | 168,408 |
| Total Insurance | 234,068 | 258,678 | 254,213 | 220,634 | 248,971 | 251,909 |
| Depreciation of Equipment | 286,176 | 261,894 | 272,836 | 504,637 | 564,487 | 607,500 |
| Total UTIMCO Services | 7,606,089 | 8,793,644 | 10,168,539 | 11,299,376 | 12,007,190 | 15,369,830 |
| Direct Costs to Funds | | | | | | |
| External Management Fees | 10,699,801 | 12,715,126 | 14,217,736 | 17,815,353 | 16,814,781 | 18,989,226 |
| External Mgt. Fees-Performance Fees | 4,467,459 | 9,165,879 | 14,898,389 | 29,648,938 | 13,511,475 | 23,726,012 |
| External Management Fees | 12,314,265 | 21,881,005 | 29,116,125 | 47,464,291 | 30,326,255 | 42,715,238 |
| Custodian Fees and Other Direct Costs | 1,351,899 | 1,043,993 | 1,506,759 | 1,634,942 | 1,481,423 | 1,536,375 |
| Performance Measurement | 261,625 | 463,238 | 487,976 | 484,660 | 418,869 | 536,700 |
| Analytical Tools | | 218,172 | 284,050 | 338,630 | 374,990 | 400,000 |
| Risk Measurement | 335,172 | 120,000 | 267,500 | 276,000 | 639,667 | 593,500 |
| Custodian and Analytical Costs | 1,948,696 | 1,845,403 | 2,546,285 | 2,734,232 | 2,914,949 | 3,066,575 |
| Consultant Fees | 1,477,800 | 900,000 | 900,000 | 852,000 | 1,235,227 | 1,325,000 |
| Auditing | 168,202 | 205,000 | 158,309 | 177,944 | 211,500 | 754,000 |
| Controls Assessment (Sarbanes-Oxley) | | | 0 | 97,110 | 124,000 | 0 |
| Printing | 99,583 | 111,431 | 132,196 | 163,790 | 178,155 | 195,000 |
| Legal Fees | 343,849 | 517,868 | 932,525 | 761,764 | 809,546 | 1,100,000 |
| Background Searches & Other | 30,653 | 45,534 | 50,805 | 59,147 | 42,108 | 70,000 |
| Other Direct Costs Total | 2,120,087 | 1,779,833 | 2,173,835 | 2,111,755 | 2,600,536 | 3,444,000 |
| Total Direct Costs to Funds | 16,048,173 | 25,506,242 | 33,836,245 | 52,310,278 | 35,841,739 | 49,225,813 |
| Total Costs | 23,654,262 | 34,299,886 | 44,004,784 | 63,609,654 | 47,848,929 | 64,595,642 |

EXHIBIT C

UTIMCO Services Capital Expenditures Budget FY08

| | FY08 Proposed | FY07 Budget |
|--|-------------------|-------------------|
| Ongoing: | | |
| Computer Server Replacements and Related Software Licenses | \$ 30,000 | \$ 75,000 |
| Staff Computer and Monitor Replacements | 80,000 | 31,000 |
| Penetration Monitoring Equipment and Software | 27,000 | |
| Software License Upgrades, Additions | 20,000 | 10,000 |
| Computer Related Equipment | 6,000 | - |
| Security Enhancements | 6,000 | - |
| Phones and Related Equipment | - | 6,000 |
| | \$ 169,000 | 122,000 |
| Allowance for Office Artwork and Framing | 5,000 | 15,000 |
| Office Equipment | 5,000 | - |
| Additional Furniture Purchases | 10,000 | 30,000 |
| Leasehold Improvements | 5,000 | - |
| | \$ 25,000 | \$ 45,000 |
| Expansion : | | |
| Phones and Related Equipment | \$ 8,000 | \$ - |
| Office Equipment | 38,970 | - |
| Computer Related Equipment | 25,000 | - |
| Furniture & Fixtures | 89,599 | - |
| Leasehold Improvements | 173,415 | - |
| Allowance for buildout | (173,415) | - |
| | \$ 161,569 | \$ - |
| Total Capital Expenditures | \$ 355,569 | \$ 167,000 |

EXHIBIT D

UTIMCO Reserves Analysis at August 31, 2007

| Cash Reserves at 4-30-2007 | | |
|---|------------|---------------------|
| Cash | | 6,468,831 |
| Investments | | 0 |
| Prepays Expenses | | 395,990 |
| Less: Accounts Payable | | (2,141,430) |
| Deferred Rent | | 0 |
| Additional Projected Surplus thru August 31, 2007 | | 350,000 |
| | | \$ 5,073,391 |
| <hr/> | | |
| Expected Cash Reserves at August 31, 2007 | | \$ 5,073,391 |
| <hr/> | | |
| 2008 Proposed Operating Budget | 15,369,830 | |
| Applicable Percentage | 25% | 3,842,457 |
| 2008 Proposed Capital Expenditures | 355,569 | 355,569 |
| | | \$ 4,198,026 |
| <hr/> | | |
| Reserves Available for Distribution | | \$ 875,365 |
| <hr/> | | |
| Recommended Distribution for FY08 | | \$ 0 |



TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 8/22/2007

Board Meeting: 8/23/2007
Austin, Texas

John W. Barnhill, Jr., Chairman
H. Scott Caven, Jr.
Rita C. Clements
Robert A. Estrada
Colleen McHugh

| | Committee Meeting | Board Meeting | Page |
|---|---|--|-------------|
| Convene | 3:25 p.m. Chairman Barnhill | | |
| 1. U. T. Pan American: Consideration of selection of architect for the Fine Arts Academic and Performance Complex | 3:25 p.m. Action Mr. O'Donnell | Not on Agenda | 140 |
| 2. U. T. System: Request for approval of fee recommendations for the Office of Facilities Planning and Construction effective immediately | 3:30 p.m. Action Dr. Kelley Mr. O'Donnell | Action Dr. Kelley Mr. O'Donnell | 140 |
| 3. U. T. Austin: Library and Artifact High-Density Repository (formerly Library Storage Facility) - Request for approval of design development; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility | 3:36 p.m. Action Mr. O'Donnell | Action | 142 |
| 4. U. T. El Paso: University Bookstore - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt | 3:41 p.m. Action Mr. O'Donnell | Action | 144 |
| 5. U. T. Permian Basin: Science and Technology Complex - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt | 3:47 p.m. Action Mr. O'Donnell | Action | 147 |
| 6. U. T. Southwestern Medical Center - Dallas: North Campus Phase 5 - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt | 3:52 p.m. Action Mr. O'Donnell | Action | 149 |

| | Committee Meeting | Board Meeting | Page |
|--|---|----------------------|-------------|
| 7. U. T. Health Science Center - Houston: U. T. Research Park Complex - Request for approval of design development of the Biomedical Research and Education Facility portion of the project; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility | <i>3:57 p.m.</i> Action <i>Mr. O'Donnell</i> | Action | 152 |
| 8. U. T. Health Science Center - San Antonio: South Texas Research Facility - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt | <i>4:02 p.m.</i> Action <i>Mr. O'Donnell</i> | Action | 155 |
| 9. U. T. M. D. Anderson Cancer Center: Alkek Expansion - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt | <i>4:08 p.m.</i> Action <i>Mr. O'Donnell</i> | Action | 158 |
| 10. U. T. Austin: The Dell Pediatric Research Institute, The University of Texas at Austin - Approve the revision of funding sources to include \$30 million of Permanent University Fund (PUF) Bond Proceeds and to increase Revenue Financing System Bond Proceeds pending receipt of Gift and Grant funding for construction; authorize and approve a separate allocation of \$15 million of Available University Funds (AUF) and \$5 million of Science and Technology Acquisition and Retention (STARs) Program funding; appropriation of funds and authorization of expenditure; and resolution regarding parity debt | <i>4:14 p.m.</i> Action <i>Mr. O'Donnell</i> | Action | 161 |
| Adjourn | <i>4:20 p.m.</i> | | |

1. **U. T. Pan American: Consideration of selection of architect for the Fine Arts Academic and Performance Complex**

RECOMMENDATION

It is recommended that the Committee select the architect from the following list for the Fine Arts Academic and Performance Complex project at The University of Texas - Pan American that was designated of special interest by the U. T. System Board of Regents on May 9, 2007:

- Barnes Gromazky Kosarek Architects with Michael Dennis, Austin, Texas
- HMS Architects, New Orleans, Louisiana
- Holzman Moss Architecture with PBS&J, New York, New York
- Kell Muñoz Architects with Antoine Predock, San Antonio, Texas
- SolkaNavaTorno Architects & Pfeiffer Partners Architects, Corpus Christi, Texas

Regents' *Rules and Regulations*, Series 80302, requires that all proposed projects be reviewed to determine if any projects are of special interest because of proposed building site, historical or cultural significance, proposed use, or other unique characteristics. For projects designated to be of special interest, the Committee will select the architect.

2. **U. T. System: Request for approval of fee recommendations for the Office of Facilities Planning and Construction effective immediately**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. authorize the new fee structure, as set forth on the following page, based on total project cost, less institutionally-managed procurements, for the U. T. System Office of Facilities Planning and Construction (OFPC) to fully fund the cost of project management;

| New Projects Cost Range | | Dormitories, Garages, Warehouses | Classrooms, Offices, Other Buildings | Health, Research, Special Education |
|----------------------------|---------------|--|--|---|
| Over | \$150,000,000 | 2.50% | 2.75% | 3.00% |
| Over | 100,000,000 | 2.75% | 3.00% | 3.25% |
| Over | 50,000,000 | 3.00% | 3.25% | 3.50% |
| Over | 25,000,000 | 3.25% | 3.50% | 3.75% |
| Over | 15,000,000 | 3.50% | 3.75% | 4.00% |
| Over | 10,000,000 | 3.75% | 4.00% | 4.25% |
| Over | 1,000,000 | 4.00% | 4.25% | 4.50% |

Renovation and
Renewal

| | | | | |
|------|---------------|-------|-------|-------|
| Over | \$150,000,000 | 3.00% | 3.33% | 3.66% |
| Over | 100,000,000 | 3.33% | 3.66% | 3.99% |
| Over | 50,000,000 | 3.66% | 3.99% | 4.33% |
| Over | 25,000,000 | 3.99% | 4.33% | 4.66% |
| Over | 15,000,000 | 4.33% | 4.66% | 4.99% |
| Over | 10,000,000 | 4.66% | 4.99% | 5.32% |
| Over | 2,000,000 | 4.99% | 5.32% | 5.66% |

- b. approve implementation of the new fee structure effective immediately for all projects that have not received final plan approval;
- c. approve collection of 5% at approval of inclusion in the Capital Improvement Program (CIP), 35% at approval of design development, 45% at the start of construction of notice to proceed, 10% at substantial completion, and 5% of the fee at final completion; and
- d. authorize the Chancellor to grant exceptions to the new fee for projects presently in design for which a hardship can be demonstrated.

BACKGROUND INFORMATION

The current OFPC fee structure was approved by the U. T. System Board of Regents on May 8, 1996. The new strategic initiatives being implemented for the CIP includes three major categories: CIP program accountability, CIP program performance, and OFPC organization. The recommendation to revise the fee structure has been discussed with the U. T. System and institutional management.

To manage and complete the 2007 OFPC strategic initiatives, the following information and data were considered:

- Organizational structure
- Services, mission and vision statement, and core processes budgets

- Financial history
- Quality improvement
- Fixed and variable costs in project management
- Indirect costs
- Optimization of project management
- Cost differentials in management of new construction and renovation projects
- External rate survey of both higher education and private sector services
- Fee options
- Current and projected unfunded liability for completion of projects under construction

The proposed, revised rate schedule has been developed to reflect both project scale and complexity for new and renovation projects with a primary objective that each project covers its own management cost. The schedule will be applied using a mathematical formula that interpolates the correct percentage for projects with costs that fall between specific ranges, and will be implemented for all projects that have not received approval for final plans.

The recommendation also allows that, should a hardship result due to budget constraints for a particular project presently in design, the Chancellor be authorized to consider the merits of the request and to approve a waiver of the fee.

3. U. T. Austin: Library and Artifact High-Density Repository (formerly Library Storage Facility) - Request for approval of design development; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility

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 Library and Artifact High-Density Repository (formerly Library Storage Facility) project at The University of Texas at Austin as follows:

Project No.: 102-016
Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: November 2008

| | | |
|----------------------------|------------------------|--------------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Designated Funds | \$2,300,000 |
| | Unexpended Plant Funds | <u>\$1,250,000</u> |
| | | \$3,550,000 |

Impact Metrics:

Utilization/assignable square footage (ASF) - preliminary metrics or other appropriate metrics as determined by U. T. Austin and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of \$2,300,000 from Designated Funds and \$1,250,000 from Unexpended Plant Funds; and
- c. approve the evaluation of alternative energy economic feasibility.

BACKGROUND INFORMATION

Previous Board Actions

On August 12, 1999, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$4,300,000 with funding of \$3,800,000 from Designated Funds and \$500,000 from Permanent University Fund (PUF) Bond Proceeds. On August 9, 2001, the Board approved design development plans and increased the total project cost to \$4,800,000 with funding from Designated Funds. On February 13, 2006, the Associate Vice Chancellor for Facilities Planning and Construction approved the nonhonorific renaming of the Library Storage Facility to the Library and Artifact High-Density Repository. With the adoption of the FY 2008-2013 CIP, the total project cost was reduced and the funding source revised from \$4,800,000 with funding from Designated Funds to \$3,550,000 with funding of \$2,300,000 from Designated Funds and \$1,250,000 from Unexpended Plant Funds.

Project Description

The project consists of construction of 15,223 gross square feet to provide a new high-density storage (HDS) building shell and support area shell to double the amount of HDS currently available at the Library Storage Facility (LSF) on the J. J. Pickle Research Campus and to provide a public service area for visitors to conduct research using materials located at the site. This scope will also provide the foundation for a third HDS module.

The existing LSF, housing some components of the Texas Memorial Museum and the Institute for Geophysics, is currently filled to capacity. The future storage system will provide for archival acquisitions and storage of other library materials.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 15-20 years
- Interior Construction: 40-50 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

4. **U. T. El Paso: University Bookstore - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents approve the recommendations for the University Bookstore project at The University of Texas at El Paso as follows:

Project No.: 201-333

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2009

| | | |
|----------------------------|--|----------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Revenue Financing System Bond Proceeds | \$5,900,000 |

Impact Metrics:

- Utilization/gross square feet (GSF)
 - Revenue/GSF
- Preliminary metrics or other appropriate metrics as determined by U. T. El Paso and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; 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. El Paso, 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 \$5,900,000.

BACKGROUND INFORMATION

Debt Service

The \$5,900,000 in Revenue Financing System debt will be repaid from bookstore revenues. Annual debt service on the project is expected to be approximately \$504,000. The project's debt service coverage is expected to be at least 2.4 times and average 2.9 times over FY 2008-2013.

Previous Board Actions

On February 8, 2007, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$5,500,000 with funding from Revenue Financing System Bond Proceeds. With the adoption of the FY 2008-2013 CIP, the total project cost is expected to be increased to \$5,900,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The new bookstore will consist of a two-story building containing 24,000 gross square feet located at the intersection of University Avenue and Sun Bowl Drive adjacent to the new parking garage. The building will provide a modern and expanded retail facility in an area of campus with high visibility, and be accessible and convenient to students, staff, faculty, and other customers of the community at large. The U. T. System Board of Regents approved an agreement dated February 7, 2007, between U. T. El Paso and Follett Higher Education Group, Inc. wherein U. T. El Paso will construct the building and Follett will manage and operate the bookstore.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

5. U. T. Permian Basin: Science and Technology Complex - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

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 Science and Technology Complex project at The University of Texas of the Permian Basin as follows:

Project No.: 501-263
Project Delivery Method: Competitive Sealed Proposals
Substantial Completion Date: January 2010

| | | |
|----------------------------|---|---------------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Tuition Revenue Bond Proceeds | \$54,000,000 |
| | Permanent University Fund Bond Proceeds | <u>\$ 2,000,000</u> |
| | | \$56,000,000 |

| | | |
|---|-------------------------------|----------------|
| Total Project Cost for New Construction: | <u>Source</u> | <u>Current</u> |
| | Tuition Revenue Bond Proceeds | \$50,000,000 |

| | | |
|--|---|--------------------|
| Total Project Cost for Repair & Rehabilitation Portion: | <u>Source</u> | <u>Current</u> |
| | Tuition Revenue Bond Proceeds | \$4,000,000 |
| | Permanent University Fund Bond Proceeds | <u>\$2,000,000</u> |
| | | \$6,000,000 |

Impact Metrics:

- Semester classroom hours delivered/gross square feet (GSF)
- Utilization/GSF

Preliminary metrics or other appropriate metrics as determined by U. T. Permian Basin and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds of \$50,000,000 from Tuition Revenue Bond Proceeds for the new construction portion of the project;
- c. approve the evaluation of alternative energy economic feasibility; 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 \$50,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$54,000,000 of Tuition Revenue Bonds for a science and technology complex of which \$50,000,000 is being appropriated at this time. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On August 11, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$56,000,000 with funding of \$54,000,000 from Tuition Revenue Bond Proceeds and \$2,000,000 from Permanent University Fund (PUF) Bond Proceeds. On February 8, 2007, the Board approved the appropriation of \$6,000,000 for the renovation portion of the project with funding of \$4,000,000 from Tuition Revenue Bond Proceeds and \$2,000,000 from PUF Bond Proceeds.

Project Description

The project consists of the construction of a new building with wings for undergraduate and graduate science, computer science teaching and research, and campus-wide information systems support. The facility includes classroom laboratories, classrooms, and research laboratories as well as support space for chemistry, physics, biology, and

computer science. Most of the functions that will occupy the new spaces are currently housed in the existing Mesa Building. The two separate buildings originally included in the Science and Technology Complex for Tuition Revenue Bond funding will now be constructed as one building with two distinct wings, one for Science and one for Technology.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

6. **U. T. Southwestern Medical Center - Dallas: North Campus Phase 5 - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. System Board of Regents approve the recommendations for the North Campus Phase 5 project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.: 303-288
Institutionally Managed: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: November 2010

| | | |
|----------------------------|---|----------------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Tuition Revenue Bond Proceeds | \$ 42,000,000 |
| | Permanent University Fund Bond Proceeds | \$ 42,000,000 |
| | Revenue Financing System Bond Proceeds | \$ 29,000,000 |
| | Gifts | <u>\$ 43,000,000</u> |
| | | <u>\$156,000,000</u> |

Impact Metrics:

- Growth in research funding/Assignable square footage (ASF) research space
- Increase in number of faculty
- Recruitment of new chairs in cell biology, pathology, and radiology, and new pediatric research institute director
- Increase in number and size of National Institutes of Health (NIH) grants

Preliminary metrics or other appropriate metrics as determined by U. T. Southwestern Medical Center – Dallas and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; 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. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$71,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$42,000,000 of Tuition Revenue Bonds for a biomedical research building. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The \$29,000,000 in Revenue Financing System debt will be repaid from indirect cost recovery. Annual debt service on the Revenue Financing System portion of the project is expected to be approximately \$2,200,000. The institution's debt service coverage is expected to be at least 1.7 times and average 2.1 times over FY 2008-2013.

Previous Board Action

On August 10, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$156,000,000 with funding of \$42,000,000 from Tuition Revenue Bond Proceeds, \$42,000,000 from Permanent University Fund (PUF) Bond Proceeds, \$29,000,000 from Revenue Financing System Bond Proceeds, and \$43,000,000 from Gifts.

Project Description

The project will be constructed in two stages. The first stage involves the building shells. The second stage will comprise the building finish out. The initial Phase 5, Stage 1 shell building project will consist of a 12-story, 328,398 gross square foot tower building, including one floor of parking. The facility will include a one-level, 3,000 gross square foot imaging center with structurally isolated grade level, vibration damped space for electron microscopes and cryotech support, and spaces for light microscopes, prep labs, and offices. The new thermal energy plant with capability to provide environmental control infrastructure for campus development will be included in this phase. Site work, including landscape, bridges and roads, and revisions to the adjacent flood control channel, will enhance the immediate campus environment and establish connections to existing buildings and campus entrances. A new telecommunications switch will also be installed along with relocation of the existing sanitary sewer to clear the site for this project and future phases. The Stage 2 project will be comprised of the finish out of four floors for research labs with support and administrative space and the finish out of the imaging center.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

7. **U. T. Health Science Center - Houston: U. T. Research Park Complex - Request for approval of design development of the Biomedical Research and Education Facility portion of the project; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. System Board of Regents approve the recommendations for the Biomedical Research and Education Facility (BREF) portion of the U. T. Research Park Complex project at The University of Texas Health Science Center at Houston as follows:

Project No.: 701-320
Project Delivery Method: Construction Manager at Risk
Substantial Completion Date: September 2010

| Total Project Cost for the Research Park Complex: | <u>Source</u> | <u>Current</u> | <u>Proposed</u> |
|--|---|----------------------|----------------------|
| | Unexpended Plant Funds | \$ 19,500,000 | \$ 22,900,000 |
| | Permanent University Fund Bond Proceeds | \$ 59,100,000 | \$ 59,100,000 |
| | Tuition Revenue Bond Proceeds | \$ 60,000,000 | \$ 60,000,000 |
| | Gifts | <u>\$ 22,900,000</u> | \$ 2,000,000 |
| | Revenue Financing System Bond Proceeds | | <u>\$ 17,500,000</u> |
| | | \$161,500,000 | \$161,500,000 |
| | | | |
| Total Project Cost for BREF (Stage 1) of the Research Park Complex: | <u>Source</u> | | |
| | Permanent University Fund Bond Proceeds | | \$ 41,100,000 |
| | Unexpended Plant Funds | | <u>\$ 22,900,000</u> |
| | | | \$ 64,000,000 |

Impact Metrics:

- Semester classroom hours delivered/Assignable square footage (ASF) classroom and class lab ASF
 - Research expenditures/ASF research space
- Preliminary metrics or other appropriate metrics as determined by U. T. Health Science Center – Houston and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.
- a. approve design development plans for the BREF portion of the project;
 - b. appropriate funds and authorize expenditure of funds in the amount of \$64,000,000 with funding of \$41,100,000 from Permanent University Fund (PUF) Bond Proceeds and \$22,900,000 from Unexpended Plant Funds for the Biomedical Research and Education Facility portion of the project; and
 - c. approve the evaluation of alternative energy economic feasibility.

BACKGROUND INFORMATION

Previous Board Actions

Biomedical Research and Education Facility - On August 10, 2006, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$62,000,000 with funding of \$41,100,000 from PUF Bond Proceeds and \$20,900,000 from Gifts.

Dental Branch Replacement Building - On August 10, 2006, the project was included in the CIP with a preliminary project cost of \$80,000,000 with funding of \$18,000,000 from PUF Bond Proceeds, \$60,000,000 from Tuition Revenue Bond Proceeds, and \$2,000,000 from Gifts.

Mental Sciences Institute Replacement Facility - On November 11, 1999, the project was included in the CIP with a preliminary project cost of \$20,700,000 with funding from Unexpended Plant Funds. On August 9, 2001, the Board approved reducing the total project cost to \$16,500,000 with funding from Unexpended Plant Funds. On August 8, 2002, the Board approved the increase to the total project cost to \$22,500,000 with funding of \$16,500,000 from Unexpended Plant Funds and \$6,000,000 from Hospital Revenues.

U. T. Research Park Complex - On November 16, 2006, the three projects mentioned above were combined, redesignated as the U. T. Research Park Complex, and funding was revised for a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$19,500,000 from Unexpended Plant Funds, and \$22,900,000 from Gifts. With the adoption of the FY 2008-2013 CIP, the project scope was increased to include a parking garage and the funding was revised with a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$22,900,000 from Unexpended Plant Funds, \$2,000,000 from Gifts, and \$17,500,000 from Revenue Financing System Bond Proceeds.

Project Description

Located at the U. T. Research Park, this project consists of two new six-story buildings intended to house three programs: stem cell research, neurosciences, and a dental branch. The first building to be constructed (Stage 1) will be the Biomedical Research and Education Facility (BREF) combined with the Neuroscience Building (NB), and the second building (Stage 2), which will be directly connected to the first building, will be the Dental Branch Replacement Building (DBRB). The scope of the entire project has been revised to include a 400-space parking garage allowing for structural integration with the Central Plant for improved efficiency and site usage.

The BREF construction will consist of a six-story structure of approximately 153,000 gross square feet to house the Neuroscience program and the Biomedical Research and Education program along with 23,000 gross square feet (GSF) for the Central Plant and associated site utilities and amenities for the structure. The BREF will occupy the fourth, fifth, and sixth floors and provide for stem cell research laboratories, office, and computational areas. The 69,000 GSF in the building designated as shell space for the Neuroscience program will occupy the first, second, and third floors.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

8. U. T. Health Science Center - San Antonio: South Texas Research Facility - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents approve the recommendations for the South Texas Research Facility (STRF) project at The University of Texas Health Science Center at San Antonio as follows:

Project No.: 402-275

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: December 2010

| | | |
|----------------------------|---|----------------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Tuition Revenue Bond Proceeds | \$ 60,000,000 |
| | Permanent University Fund Bond Proceeds | \$ 46,000,000 |
| | Gifts | \$ 44,000,000 |
| | | <u>\$150,000,000</u> |

Impact Metrics:

- Percent efficiency of the building
- Wet lab space/percent of assignable square footage (ASF)
- Number of principle investigators (PIs) to be recruited based on new available space
- New potential research expenditure based on added space for investigators

Preliminary metrics or other appropriate metrics as determined by U. T. Health Science Center – San Antonio and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; 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. Health Science Center - 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 \$60,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized \$60,000,000 of Tuition Revenue Bonds for a new research facility. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On August 10, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$150,000,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$40,000,000 from Permanent University Funds (PUF) Bond Proceeds, and \$50,000,000 from Gifts and designated as architecturally significant. With the adoption of the FY 2008-2013 CIP, the funding was revised to \$60,000,000 from Tuition Revenue Bond Proceeds, \$46,000,000 from PUF Bond Proceeds, and \$44,000,000 from Gifts.

Project Description

The project consists of the construction of a new building with approximately 221,000 gross square feet of new research space to be constructed adjacent to the Greehey Children's Cancer Research Institute. The facility will allow significant expansion of basic and translational research programs. Translational research allows the physician to assess a clinical problem to be studied in the laboratory when those studies could not feasibly be conducted in humans. The translational research emphasizes the rapid adoption of evidence-based interventions in routine clinical settings. Research to be carried out in the STRF will focus on translational research in scientific areas highly relevant to South Texas. An important focus will be the training of future clinician scientists from the South Texas region.

The institution plans to develop a National Center for Integrative Sciences (NCIS) in this facility. The goal for the NCIS would be significant expansion and integration of U. T. Health Science Center - San Antonio research and that of its partners, resulting in basic and translational research breakthroughs in the following areas: regenerative medicine, nanomedicine, molecular therapeutics, and metabolic biology. NCIS will facilitate collaboration of scientists across multiple disciplines.

The project will also include administrative offices, an expansion of the existing Vivarium located at the Greehey Children's Cancer Research Institute, surface parking for approximately 600 cars, and site improvements.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

9. **U. T. M. D. Anderson Cancer Center: Alkek Expansion - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the Alkek Expansion project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.: 703-272
Institutionally Managed: Yes No
Project Delivery Method: Design/Build

Substantial Completion Date: January 2013

| | | |
|----------------------------|--|----------------------|
| Total Project Cost: | <u>Source</u> | <u>Current</u> |
| | Hospital Revenues | \$ 69,200,000 |
| | Revenue Financing System Bond Proceeds | <u>\$224,000,000</u> |
| | | \$293,200,000 |

Impact Metrics:

- Admissions
- Patient days
- Number of inpatient beds in operation

Preliminary metrics or other appropriate metrics as determined by U. T. M. D. Anderson Cancer Center and U. T. System. Beginning May 2007, the U. T. System, in collaboration with the respective institution, will begin identifying Impact Metrics intended to track the effectiveness of new institution facility use once the facility becomes operational.

- a. approve design development plans;

- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; 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. M. D. Anderson Cancer Center, 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 \$224,000,000.

BACKGROUND INFORMATION

Debt Service

The \$224,000,000 in Revenue Financing System debt will be repaid from hospital revenues. Annual debt service on the project is expected to be approximately \$16,300,000. The institution's debt service coverage is expected to be at least 4.5 times and average 4.9 times over FY 2008-2013.

Previous Board Actions

On July 14, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$280,000,000 with funding of \$56,000,000 from Hospital Revenues and \$224,000,000 from Revenue Financing System Bond Proceeds. With the adoption of the FY 2008-2013 CIP, the total project cost was increased to \$293,200,000 with funding of \$69,200,000 from Hospital Revenues and \$224,000,000 from Revenue Financing System Bond Proceeds.

Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

The project will construct five new inpatient floors in the Albert B. and Margaret M. Alkek Tower with additional support space provided for pharmacy, nursing support, an additional post anesthesia care unit, and intensive care unit beds. The existing 12th floor will be renovated to address infrastructure issues associated with the current protected environment. Two floors of the Lutheran Pavilion Patient Tower will be vacated to provide horizontal expansion for surgery services on Level 5 and diagnostic imaging services on Level 3. Beds from these floors will be relocated to the new Alkek Tower floors. Initially, four shelled floors will be included in the Alkek Expansion with shell space to build out two floors in 2014 and two floors in 2016.

The Alkek Tower was designed to accommodate an additional nine floors. The structural design was planned with locations for additional elevator capacity, mechanical distributions systems, as well as future crane placement.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities 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 include open, flexible space with support areas.

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

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

10. **U. T. Austin: The Dell Pediatric Research Institute, The University of Texas at Austin - Approve the revision of funding sources to include \$30 million of Permanent University Fund (PUF) Bond Proceeds and to increase Revenue Financing System Bond Proceeds pending receipt of Gift and Grant funding for construction; authorize and approve a separate allocation of \$15 million of Available University Funds (AUF) and \$5 million of Science and Technology Acquisition and Retention (STARs) Program funding; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

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 Dell Pediatric Research Institute, The University of Texas at Austin project as follows:

Project No.: 102-257
Project Delivery Method: Design/Build
Substantial Completion Date: November 2008

| Total Project Cost: | <u>Source</u> | <u>Current</u> | <u>Proposed</u> |
|----------------------------|---|---------------------|---------------------|
| | Grants | \$38,000,000 | \$ 8,000,000 |
| | Gifts | \$38,000,000 | \$ 8,000,000 |
| | Revenue Financing System Bond Proceeds | <u>\$21,000,000</u> | \$51,000,000 |
| | Permanent University Fund Bond Proceeds | | <u>\$30,000,000</u> |
| | | \$97,000,000 | \$97,000,000 |

- a. revise the funding sources of \$38,000,000 from Grants, \$38,000,000 from Gifts, and \$21,000,000 from Revenue Financing System Bond Proceeds to \$8,000,000 from Grants, \$8,000,000 from Gifts, \$51,000,000 from Revenue Financing System Bond Proceeds pending receipt of Gift and Grant funding, and \$30,000,000 from Permanent University Fund (PUF) Bond Proceeds;
- b. authorize a separate allocation of \$15,000,000 from Available University Funds (AUF) and \$5,000,000 from the Science and Technology Acquisition and Retention (STARs) Program to fund faculty start-up costs and operations;
- c. appropriate funds and authorize expenditure of \$51,000,000 from Revenue Financing System Bond Proceeds and \$30,000,000 from PUF (See related Item 8 on Page 15); 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. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$51,000,000.

BACKGROUND INFORMATION

Debt Service

Revenue Financing System debt of \$51,000,000 will be issued as short-term commercial paper repayable from Gifts, Grants, and indirect cost return from research revenues. The Michael and Susan Dell Foundation has committed \$38,000,000 towards construction, subject to the receipt of an equal amount of matching Gifts. This interim debt financing is necessary to facilitate the accelerated construction timeline and bridge the timing of receipt of the Gifts and Grants. The \$30,000,000 of Permanent University Fund debt will be repaid from the Available University Fund.

Previous Board Actions

On June 20, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$97,000,000 with funding of \$21,000,000 from Revenue Financing System Bond Proceeds, \$38,000,000 from Gifts, and \$38,000,000 from Grants. On August 10, 2006, the Board approved design development plans. On October 13, 2006, the Associate Vice Chancellor for Facilities Planning and Construction approved the nonhonorific name change from Dell Pediatric Research Institute to The Dell Pediatric Research Institute, The University of Texas at Austin.

Project Description

Located on the site of the former Robert Mueller Municipal Airport and adjacent to the new Dell Children's Medical Center of Central Texas, the 150,000 gross square foot Dell Pediatric Research Institute will establish Austin as a center of excellence for children's health issues.

The Dell Pediatric Research Institute will comply with the guidelines of the Master Development Agreement and the approved master plan established for redevelopment of the 700-acre former airport site. This facility will provide research, laboratory, and office space that will facilitate interdisciplinary collaboration between academic research, medical research, and clinical initiatives supporting the health and welfare of children. The design for the facility provides flexible research space with an open floor area fully served by mechanical, electrical, plumbing, and architectural environments supporting the anticipated research program. The flexibility of the building will support research-specific build-out and incorporates moveable casework, overhead utility carrier services, internationally recognized requirements for laboratory support space, additional support and service spaces for the administrative requirements of the research program, and for building maintenance and operations.

The request to revise previously approved funding is required to allow construction activity to proceed on schedule for a November 2008 completion pending the extended schedule for the collection of Gift funds. The Michael and Susan Dell Foundation has committed \$38,000,000 towards construction, subject to the receipt of an equal amount of matching Gifts.

The \$15,000,000 from AUF and \$5,000,000 from the STARs Program are proposed to fund faculty start-up costs and operations. The STARs monies would be used primarily for equipment while the AUF balances could be used for any eligible operating costs associated with start-up operations.



TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 8/23/2007

Board Meeting: 8/23/2007
Austin, Texas

Rita C. Clements, Chairman
H. Scott Caven, Jr.
Judith L. Craven, M.D.
Cyndi Taylor Krier
Robert B. Rowling

| | Committee Meeting | Board Meeting | Page |
|--|--|----------------------|-------------|
| Convene | 9:00 a.m. Chairman Clements | | |
| 1. U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2008 and distribute a portion of Plan premium returns | 9:00 a.m. Action Mr. Burgdorf Dr. Shine | Action | 164 |
| 2. U. T. Health Science Center - San Antonio: Honorific naming of the library at the Regional Academic Health Center (RAHC) in Harlingen, Texas, as the Mario E. Ramirez, M.D. Library | 9:15 a.m. Action President Cigarroa Dr. Safady | Action | 169 |
| 3. U. T. Health Science Center - San Antonio: Honorific naming of the cyclotron wing of the Research Imaging Center on the Greehey Academic and Research Campus as The Ruth McLean Bowman Bowers Cyclotron Wing | 9:20 a.m. Action President Cigarroa Dr. Safady | Action | 170 |
| 4. U. T. M. D. Anderson Cancer Center: Authorization to ground lease approximately 0.5430 of an acre of unimproved land located at Braeswood Boulevard and Pressler Street from the Texas Medical Center, a Texas nonprofit corporation, and to convey an excavation and access easement covering approximately 0.4697 of an acre of unimproved land adjacent to Brays Bayou between Braeswood Boulevard and Holcombe Boulevard to the Harris County Flood Control District, a political subdivision, both tracts being located in the P. W. Rose Survey, Abstract 645, Houston, Harris County, Texas, to facilitate construction of a parking garage | 9:25 a.m. Action President Mendelsohn Ms. Mayne | Action | 171 |
| 5. U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine | 9:35 a.m. Report Dr. Shine | Not on agenda | 175 |
| Adjourn | 9:55 a.m. | | |

1. **U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2008 and distribute a portion of Plan premium returns**

RECOMMENDATION

The Chancellor concurs in the recommendations of 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 and General Counsel, after consultation with the actuary for The University of Texas System Professional Medical Liability Plan (Plan), that

- a. Plan Participant premium rates for faculty and residents for Fiscal Year 2008 for the Plan be reduced by 40% from the rates for Fiscal Year 2007, with the exception of medical student out-of-state externship rates to be reduced by 50%;
- b. all other Plan Participant premium rates, including institutional and medical student rates, for Fiscal Year 2008 remain unchanged from the rates for Fiscal Year 2007; and
- c. as part of a three-four year plan to reduce the Plan fund balance to minimal reserve requirements, \$30 million be distributed from Plan premium returns as follows: \$25 million to the participating U. T. System institutions pro rata in accordance with the premium contributions of Plan Participants at each participating institution and \$5 million to establish a major new System-wide initiative in health science and professional education.

The proposed premium rates for faculty and residents for Fiscal Year 2008 are set forth in Exhibit 1 (Pages 166 - 167). The proposed distribution of \$25 million in Plan premium returns to participating institutions is set forth in Exhibit 2 (Page 168).

BACKGROUND INFORMATION

The health science and professional education effort to be funded with \$5 million from the Plan would have two areas of focus, both of which would benefit the Plan by improving patient care and research leading to improved litigation positions.

First, funding would be used for the creation of a U. T. System Web site, which would make web-based curricula available to all health schools in the U. T. System (including those on academic campuses). These courses may have been developed by a health school within or outside of the U. T. System with considerable time and effort by faculty at that campus. Funds may be used to pay licensing fees, if necessary, to make the

best courses available. In addition, specific courses may be created through this project by teams of U. T. faculty who may be from several campuses. A library of "virtual patients" will be created, including interviews, history, physical examinations, tests, x-rays, and biopsies, which can be used by individual students or groups of students for learning or testing purposes. A collection of teaching materials, e.g., electrocardiograms, pathologic specimens, and endoscopic views, which can be used for teaching purposes upon achieving copyright permission, would be available across the U. T. System. This dispersal of information and greater availability of education will, over the long term, decrease the risk of significant litigation related to malpractice claims.

The second portion of the program will be a competitive grant program to fund transformational changes in education, including the uses of technology, reorganization of curricula, and interdisciplinary learning by multiple health professional students who might be joined, for example, by Health Policy or law students. An outcome of this activity would be improved quality of care and patient safety in the U. T. System, further reducing the chances of costly and time-consuming litigation. This project titled "Transformational Programs in Health Education" will be led by the newly appointed Executive Director of Academic Programs in the Office of Health Affairs. It will be implemented in collaboration with the members of the U. T. System Academy of Health Science Education and the academies at the various campuses.

Exhibit 1

The University of Texas System Professional Medical Liability Benefit Plan
Summary of Annual Rates* by Risk Class by Institution

| Institution | Physician Risk Class 1 | | | | Percentage Rate Change | |
|-------------|------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | \$1,025 | \$959 | \$612 | \$576 | -40% | -40% |
| UTSWMC | 1,019 | 953 | 612 | 576 | -40% | -40% |
| UTMB | 1,675 | 1,567 | 1,008 | 936 | -40% | -40% |
| UTHSCH | 1,624 | 1,519 | 972 | 912 | -40% | -40% |
| UTHSCSA | 1,214 | 1,137 | 732 | 684 | -40% | -40% |
| UTHCT | 1,452 | 1,358 | 876 | 816 | -40% | -40% |
| UTAustin | 1,214 | 1,137 | 732 | 684 | -40% | -40% |
| UTA | 1,214 | 1,137 | 732 | 684 | -40% | -40% |
| UTSA | 1,214 | 1,137 | 732 | 684 | -40% | -40% |

| Institution | Physician Risk Class 2 | | | | Percentage Rate Change | |
|-------------|------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | \$1,603 | \$1,500 | \$960 | \$900 | -40% | -40% |
| UTSWMC | 1,594 | 1,491 | 960 | 900 | -40% | -40% |
| UTMB | 2,620 | 2,453 | 1,572 | 1,476 | -40% | -40% |
| UTHSCH | 2,541 | 2,378 | 1,524 | 1,428 | -40% | -40% |
| UTHSCSA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTHCT | 2,272 | 2,126 | 1,368 | 1,272 | -40% | -40% |
| UTAustin | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTSA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |

| Institution | Physician Risk Class 3 | | | | Percentage Rate Change | |
|-------------|------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | \$2,562 | \$2,397 | \$1,536 | \$1,440 | -40% | -40% |
| UTSWMC | 2,546 | 2,382 | 1,524 | 1,428 | -40% | -40% |
| UTMB | 4,185 | 3,918 | 2,508 | 2,352 | -40% | -40% |
| UTHSCH | 4,059 | 3,799 | 2,436 | 2,280 | -40% | -40% |
| UTHSCSA | 3,034 | 2,843 | 1,824 | 1,704 | -40% | -40% |
| UTHCT | 3,630 | 3,396 | 2,184 | 2,040 | -40% | -40% |
| UTAustin | 3,034 | 2,843 | 1,824 | 1,704 | -40% | -40% |
| UTA | 3,034 | 2,843 | 1,824 | 1,704 | -40% | -40% |
| UTSA | 3,034 | 2,843 | 1,824 | 1,704 | -40% | -40% |

| Institution | Physician Risk Class 4 | | | | Percentage Rate Change | |
|-------------|------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | \$4,765 | \$4,458 | \$2,856 | \$2,676 | -40% | -40% |
| UTSWMC | 4,735 | 4,430 | 2,844 | 2,664 | -40% | -40% |
| UTMB | 7,785 | 7,287 | 4,668 | 4,368 | -40% | -40% |
| UTHSCH | 7,550 | 7,066 | 4,536 | 4,236 | -40% | -40% |
| UTHSCSA | 5,642 | 5,288 | 3,384 | 3,168 | -40% | -40% |
| UTHCT | 6,750 | 6,317 | 4,056 | 3,792 | -40% | -40% |
| UTAustin | 5,642 | 5,288 | 3,384 | 3,168 | -40% | -40% |
| UTA | 5,642 | 5,288 | 3,384 | 3,168 | -40% | -40% |
| UTSA | 5,642 | 5,288 | 3,384 | 3,168 | -40% | -40% |

Exhibit 1 (cont'd)

The University of Texas System Professional Medical Liability Benefit Plan
Summary of Annual Rates by Risk Class by Institution

| Institution | Physician Risk Class 5 | | | | Percentage Rate Change | |
|-------------|------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | \$7,019 | \$6,568 | \$4,212 | \$3,936 | -40% | -40% |
| UTSWMC | 6,976 | 6,526 | 4,188 | 3,912 | -40% | -40% |
| UTMB | 11,468 | 10,735 | 6,876 | 6,444 | -40% | -40% |
| UTHSCH | 11,120 | 10,408 | 6,672 | 6,240 | -40% | -40% |
| UTHSCSA | 8,312 | 7,791 | 4,992 | 4,680 | -40% | -40% |
| UTHCT | 9,943 | 9,306 | 5,964 | 5,580 | -40% | -40% |
| UTAustin | 8,312 | 7,791 | 4,992 | 4,680 | -40% | -40% |
| UTA | 8,312 | 7,791 | 4,992 | 4,680 | -40% | -40% |
| UTSA | 8,312 | 7,791 | 4,992 | 4,680 | -40% | -40% |

| Institution | General Dentist Risk Class A | | | | Percentage Rate Change | |
|-------------|------------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | 358 | 335 | \$216 | \$204 | -40% | -40% |
| UTSWMC | 357 | 333 | 216 | 204 | -40% | -40% |
| UTMB | 586 | 548 | 348 | 324 | -40% | -40% |
| UTHSCH | 568 | 532 | 336 | 324 | -40% | -40% |
| UTHSCSA | 425 | 398 | 252 | 240 | -40% | -40% |
| UTHCT | 508 | 475 | 300 | 288 | -40% | -40% |
| UTAustin | 425 | 398 | 252 | 240 | -40% | -40% |
| UTA | 425 | 398 | 252 | 240 | -40% | -40% |
| UTSA | 425 | 398 | 252 | 240 | -40% | -40% |

| Institution | Oral Surgery Risk Class B | | | | Percentage Rate Change | |
|-------------|---------------------------|----------|-------------------------------|----------|------------------------|----------|
| | Rates As of 9/1/2006 | | Proposed Rates As of 9/1/2007 | | Staff | Resident |
| | Staff | Resident | Staff | Resident | | |
| UTMDACC | 1,603 | 1,500 | \$960 | \$900 | -40% | -40% |
| UTSWMC | 1,594 | 1,491 | 960 | 900 | -40% | -40% |
| UTMB | 2,620 | 2,453 | 1,572 | 1,476 | -40% | -40% |
| UTHSCH | 2,541 | 2,378 | 1,524 | 1,428 | -40% | -40% |
| UTHSCSA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTHCT | 2,272 | 2,126 | 1,368 | 1,272 | -40% | -40% |
| UTAustin | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |
| UTSA | 1,899 | 1,780 | 1,140 | 1,068 | -40% | -40% |

*For ease in administration, all premium rates have been rounded.

Exhibit 2
The University of Texas System Professional Medical Liability Benefit Plan
Proposed Distribution of Plan Returns

Pro Rata Distribution to Institutions (rounded for ease in presentation):

| <u>Institution</u> | <u>*2007 Premium</u> | <u>% Distribution</u> | <u>Distribution</u> |
|--------------------|----------------------|-----------------------|----------------------|
| UTA | \$ 1,065 | 0.005% | \$ 1,298 |
| UTD | 1,422 | 0.007% | 1,732 |
| UTSA | 3,121 | 0.015% | 3,802 |
| UTAustin | 37,435 | 0.182% | 45,606 |
| UTHCT | 209,250 | 1.020% | 254,923 |
| UTHSCH | 2,498,547 | 12.176% | 3,043,907 |
| UTHSCSA | 3,795,520 | 18.496% | 4,623,972 |
| UTMDACC | 2,636,053 | 12.846% | 3,211,427 |
| Medical Foundation | 1,639,406** | 7.989% | 1,997,241 |
| UTSWMC | 4,100,985 | 19.984% | 4,996,110 |
| UTMB | 5,598,084 | 27.280% | 6,819,983 |
| Total | <u>20,520,889</u> | <u>100.000%</u> | <u>\$ 25,000,000</u> |

*Includes FY2006 final billing adjustments of \$40,686.

**Estimated Medical Foundation 4th quarter premium amount.

Health Science and Professional Education Initiative:

5,000,000

TOTAL PROPOSED DISTRIBUTION

\$ 30,000,000

Prepared by Office of General Counsel
July 5, 2007

2. **U. T. Health Science Center - San Antonio: Honorific naming of the library at the Regional Academic Health Center (RAHC) in Harlingen, Texas, as the Mario E. Ramirez, M.D. Library**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Cigarroa that the U. T. System Board of Regents approve the honorific naming of the library at the Regional Academic Health Center (RAHC) in Harlingen, Texas, as the Mario E. Ramirez, M.D. Library to honor Dr. Ramirez and to recognize the significant contributions he has made to the U. T. System and to the citizens of South Texas.

BACKGROUND INFORMATION

The library comprises 8,595 square feet in the RAHC in Harlingen, Texas. A student-focused space, the library houses many files and historical documents collected by Dr. Ramirez, including documentation of the building of the first hospital in Roma, Texas, and correspondence with at least four Presidents of the United States.

Dr. Ramirez spent his working lifetime encouraging young people to enter the health professions and providing quality and accessible healthcare for thousands of citizens in South Texas. He served as a member of the Board of Regents of The University of Texas System from 1989-1995, as a member of the Texas Higher Education Coordinating Board from 1979-1986, and as the first Hispanic President of the Texas Medical Association from 1979-1980. From 1995-2007, Dr. Ramirez was employed as Vice President for South Texas Programs at U. T. Health Science Center - San Antonio.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the honorific naming of facilities because of the significant contribution of service to the U. T. System evidenced by Dr. Ramirez.

3. **U. T. Health Science Center - San Antonio: Honorific naming of the cyclotron wing of the Research Imaging Center on the Greehey Academic and Research Campus as The Ruth McLean Bowman Bowers Cyclotron Wing**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Cigarroa that the U. T. System Board of Regents approve the honorific naming of the cyclotron wing of the Research Imaging Center on the Greehey Academic and Research Campus as The Ruth McLean Bowman Bowers Cyclotron Wing to recognize the significant contributions and commitment of Mrs. Ruth McLean Bowers to the U. T. Health Science Center - San Antonio and to the lives of its patients.

BACKGROUND INFORMATION

The Research Imaging Center is a laboratory dedicated to biomedical imaging research. Its mission is to perform basic and clinical research using noninvasive, biomedical imaging methods for measuring the structure and function of living organisms. A recent gift of \$1.6 million from Mrs. Ruth McLean Bowman Bowers made possible the purchase of a second cyclotron for the Center and provided space for radiochemistry production laboratories. Less than five research centers in the nation have two cyclotrons. The addition of the second cyclotron will allow U. T. Health Science Center - San Antonio to recruit additional imaging scientists and will position the institution among the most prestigious, state-of-the-art imaging research centers in the country.

Since 1994, Mrs. Bowers has been an avid supporter of the U. T. Health Science Center - San Antonio with cumulative gifts of approximately \$2 million. She has been an active member of the President's Council for 14 years and is a founding member of the Greehey Children's Cancer Research Institute's Ambassador's Circle.

Her contributions to civic and philanthropic causes in San Antonio are legendary throughout South Texas and beyond. Among her many distinguished awards are the 2002 San Antonio Annual Humanitarian Award, League of Women Voters 2005 Stars of San Antonio, and induction into the San Antonio Women's Hall of Fame on March 1, 2007.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the honorific naming of facilities because of the significant history of contributions and support evidenced by Mrs. Bowers.

4. **U. T. M. D. Anderson Cancer Center: Authorization to ground lease approximately 0.5430 of an acre of unimproved land located at Braeswood Boulevard and Pressler Street from the Texas Medical Center, a Texas nonprofit corporation, and to convey an excavation and access easement covering approximately 0.4697 of an acre of unimproved land adjacent to Brays Bayou between Braeswood Boulevard and Holcombe Boulevard to the Harris County Flood Control District, a political subdivision, both tracts being located in the P. W. Rose Survey, Abstract 645, Houston, Harris County, Texas, to facilitate construction of a parking garage**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of The University of Texas M. D. Anderson Cancer Center, to

- a. ground lease approximately 0.5430 of an acre of unimproved land located at Braeswood Boulevard and Pressler Street, P. W. Rose Survey, Abstract 645, Houston, Harris County, Texas, from the Texas Medical Center, a Texas nonprofit corporation, for use as an access driveway to a parking garage to be constructed and owned by U. T. M. D. Anderson Cancer Center;
- b. convey an excavation and access easement covering approximately 0.4697 of an acre of unimproved land adjacent to Brays Bayou between Braeswood Boulevard and Holcombe Boulevard, P. W. Rose Survey, Abstract 645, Houston, Harris County, Texas, to the Harris County Flood Control District, a political subdivision, to facilitate construction of the parking garage; and
- c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to the approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center plans to build a 2,400-car parking garage on an approximately 6.2616-acre tract adjacent to Brays Bayou in Houston, Texas. The garage will serve the T. Boone Pickens Academic Tower, which is presently under construction, and the Jesse H. Jones Rotary House International. The U. T. M. D. Anderson Cancer Center Master Plan approved by the Board on May 11, 2000,

envisioned a parking garage to serve the Jesse H. Jones Rotary House International. The garage was approved by the Board for inclusion in the Capital Improvement Program on May 11, 2006. The plans for the garage call for an access driveway to the parking garage to cross a 0.5430-acre tract owned by the Texas Medical Center.

The Texas Medical Center is willing to grant the institution a long-term lease of 99 years, plus one 99-year renewal option, to permit the driveway to cross the 0.5430-acre tract. The Cancer Center will pay Texas Medical Center a prepaid ground rental of \$1.2 million and grant the Texas Medical Center an easement over an adjoining approximately 0.0918 of an acre for possible future construction by the City of Houston or the Texas Medical Center of the extension of Pressler Street. Total rental for the 99-year extension term is \$99.

Related to the garage construction project is a channel-widening project by the Harris County Flood Control District. On June 13, 2000, the Harris County Commissioners Court adopted the "Brays Bayou Flood Damage Reduction Plan," which includes channel widening of Brays Bayou from the upstream side of Holcombe Boulevard to the downstream side of South Braeswood Boulevard in the Texas Medical Center. To implement the plan, the Harris County Flood Control District requires the acquisition of an easement across a 0.4697-acre tract that is adjacent to the existing Brays Bayou. The Harris County Flood Control District will pay the Cancer Center \$1,720,157 for the easement. Soil excavated within the easement area will be used by U. T. M. D. Anderson Cancer Center as fill material in the construction of the parking garage.

The terms and conditions of the ground lease and easement are reflected in the transaction summary below:

Transaction Summary

Ground Lease from Texas Medical Center

| | |
|----------------------|---|
| Institution: | U. T. M. D. Anderson Cancer Center |
| Type of Transaction: | Ground lease of unimproved land |
| Total Land Area: | Approximately 0.5430 of an acre |
| Location: | Braeswood Boulevard and Pressler Street, P. W. Rose Survey, Abstract 645, Houston, Harris County, Texas |
| Landlord: | Texas Medical Center, a Texas nonprofit corporation |
| Tenant: | The Board of Regents of The University of Texas System |

Consideration: \$1.2 million prepaid rental for the initial 99-year term, plus the grant of an easement across an approximately 0.0918-acre tract to Texas Medical Center for the possible future extension of Pressler Street by the City of Houston or the Texas Medical Center; rental for the second 99-year term will be a total of \$99

Appraised Value: \$1,571,894 (Michael J. Urban Real Estate Appraisers and Consultants, July 20, 2006)

Source of Funds: Local Hospital Margins

Lease Term: 99 years, plus one renewal option of 99 years

Intended Use: Driveway access for U. T. M. D. Anderson Cancer Center's planned parking garage

Harris County Flood Control District Easement

Institution: U. T. M. D. Anderson Cancer Center

Type of Transaction: Easement

Total Land Area: Approximately 0.4697 of an acre

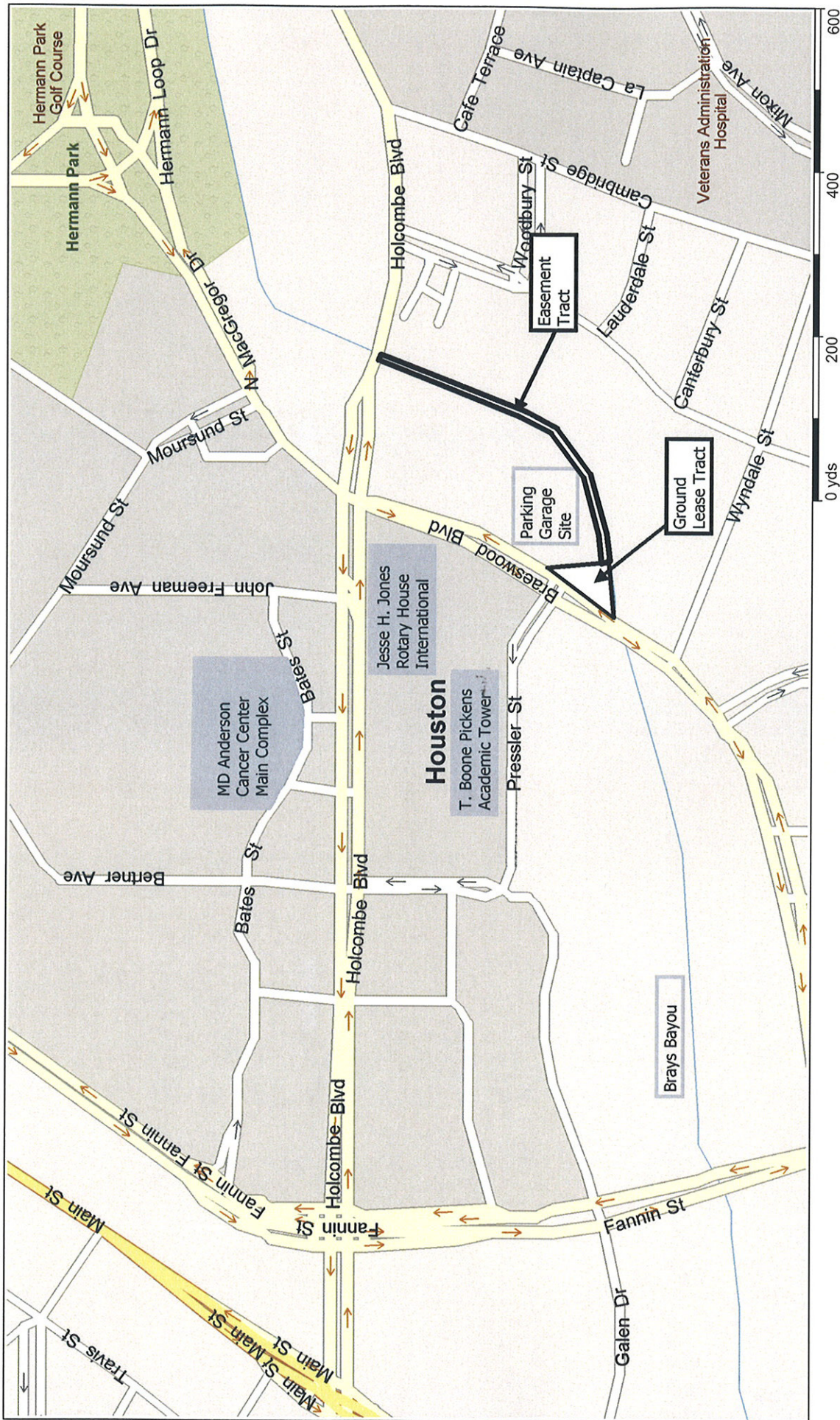
Location: Adjacent to Brays Bayou between Braeswood Boulevard and Holcombe Boulevard, P. W. Rose Survey, Abstract 645, City of Houston, Harris County, Texas

Easement Grantee: Harris County Flood Control District, a political subdivision

Easement Purchase Price: \$1,720,157

Appraised Value: \$1,720,157 (Michael J. Urban Real Estate Appraisers and Consultants, July 20, 2006)

Easement Purpose: Excavation, widening, construction, and maintenance of flood control facilities within Brays Bayou



5. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.



TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 8/22/2007

Board Meeting: 8/23/2007
Austin, Texas

Cyndi Taylor Krier, *Chairman*
John W. Barnhill, Jr.
H. Scott Caven, Jr.
Judith L. Craven, *M.D.*
Robert A. Estrada
Colleen McHugh

| | Committee Meeting | Board Meeting | Page |
|---|---|----------------------|-------------|
| Convene | 4:20 p.m. <i>Chairman Krier</i> | | |
| 1. U. T. Arlington: Authorization to establish a Doctor of Nursing Practice (DNP) degree in the School of Nursing | 4:20 p.m. Action <i>President Spaniolo Dr. Prior</i> | Action | 176 |
| 2. U. T. Dallas: Honorific naming of the NanoTech Institute as the Alan G. MacDiarmid NanoTech Institute | 4:25 p.m. Action <i>President Daniel Dr. Prior</i> | Action | 178 |
| 3. U. T. Dallas: Center for BrainHealth - Request for approval of acceptance of gifts of outdoor works of art | 4:30 p.m. Action <i>President Daniel Dr. Safady</i> | Action | 180 |
| 4. U. T. Permian Basin: Authorization to accept a \$2 million gift from the Helen Greathouse Charitable Trust and to name the multiuse recital hall in The Wagner Noël Performing Arts Center as the Helen Greathouse Hall | 4:35 p.m. Action <i>President Watts Dr. Safady</i> | Action | 181 |
| 5. U. T. San Antonio: Honorific naming of an outdoor area adjacent to the Biotechnology, Sciences and Engineering Building as the Robert J. Kleberg, Jr. and Helen C. Kleberg Commons (Kleberg Commons) | 4:39 p.m. Action <i>President Romo Dr. Safady</i> | Action | 182 |
| 6. U. T. Arlington: Authorization to purchase approximately 2.58 acres and improvements located at 700 and 808 South Center Street, Arlington, Tarrant County, Texas, from the Hong Family Trust for a purchase price of \$2.9 million for initial use as open space and for future programmed development of campus expansion | 4:43 p.m. Action <i>President Spaniolo Ms. Mayne</i> | Action | 183 |

| | Committee Meeting | Board Meeting | Page |
|--|---|----------------------|-------------|
| 7. U. T. Dallas: Authorization to ground lease approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres out of U. T. D. Synergy Park - Phase I plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas, to the Dallas International School, a Texas nonprofit corporation, for a term not to exceed 75 years plus an initial construction period not to exceed 30 months, for construction and operation of a prekindergarten through secondary private school | 4:47 p.m. Action <i>President Daniel Ms. Mayne</i> | Action | 186 |
| 8. U. T. San Antonio: Authorization to purchase approximately 2.70 acres and improvements located at 402 West Nueva Street, San Antonio, Bexar County, Texas, from Mr. and Mrs. Bob W. Coleman at a purchase price not to exceed fair market value as determined by independent appraisals for use as an academic facility | 4:51 p.m. Action <i>President Romo Ms. Mayne</i> | Action | 190 |
| 9. U. T. System: Reports from academic presidents, Executive Vice Chancellor Prior, and Academic Affairs Committee members | 4:55 p.m. Report <i>Presidents Dr. Prior</i> | Not on agenda | 192a |
| Adjourn | 5:15 p.m. | | |

1. **U. T. Arlington: Authorization to establish a Doctor of Nursing Practice (DNP) degree in the School of Nursing**

RECOMMENDATION

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

- a. establish a Doctor of Nursing Practice (DNP) degree in the School of Nursing at U. T. Arlington; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

U. T. Arlington proposes a DNP degree that will build on the Master of Science in Nursing (MSN) preparation as a nurse practitioner (NP). This proposed DNP degree will provide NPs with advanced content and clinical experiences designed to prepare the graduates to assume expert leadership, clinical, and educator roles. The outcomes for this DNP program are to (1) implement evidence-based healthcare in selected populations, (2) demonstrate leadership in promoting quality improvement in healthcare systems, (3) conduct clinical research to evaluate care and promote evidence-based practice, (4) apply the healthcare policy process in the promotion of evidence-based practice, and (5) coordinate interdisciplinary care of selected populations.

The proposed DNP program includes 36 semester credit hours that will be designed to expand the students' expertise in health policy, leadership, information systems, epidemiology, clinical research, and a clinical area of specialization. The clinically-focused research experience provides students the opportunity to evaluate current evidence-based practice to develop a clinical-focused research project that will address important practice issues in the students' areas of expertise. The DNP program also includes a clinical residency that will expand the students' leadership and clinical expertise in an area of choice. The expertise of the DNP graduate will be documented in a detailed clinical portfolio that will include the leadership, policy, informatics, and expert clinical learning experiences and projects the students complete during their residencies.

The proposed DNP program meets the essential criteria identified by the American Association of Colleges of Nursing (AACN) (2006) for the DNP degree. AACN believes that the DNP preparation is beyond the current MSN preparation of an NP and the

graduates will provide unique contributions to healthcare and the nursing profession. In Fall 2006, AACN membership voted to mandate the DNP degree for nurses obtaining preparation as NPs by 2015. This DNP degree is proposed to address the mandate of AACN and to provide the nurses of Texas with an opportunity to obtain the DNP education.

Need and Student Demand

U. T. Arlington proposes to enroll 15 new DNP students each year. The first year of the program is part time and the second year is full time so students might complete the program in two years. The number of graduates is anticipated to be about 10-12 each year. The enrollment projections were based on surveys conducted at state and national NP conferences that indicated 157 NPs were interested in obtaining a DNP at U. T. Arlington. In addition, U. T. Arlington has a large MSN program of 357 students and 251 of these students are seeking preparation as NPs. The School of Nursing has provided NP education since 1975 and currently graduates about 50-60 NPs a year with a 98.2% pass rate on national certification exams over the last 10 years. The U. T. Arlington NP graduates and other NPs have expressed an interest in obtaining a DNP degree at U. T. Arlington. Currently, Texas has only one DNP program, which enrolled 16 students in Fall 2006. Thus, there is a need for an additional DNP program in Texas so NPs do not leave the state to obtain this degree.

Graduates of DNP programs will be qualified to assume roles as expert leaders, clinicians, and educators. The increasing complexity of healthcare, the continued rapid growth of knowledge of illness, disease, and therapies, and the explosion of technology to treat illness and support the delivery of healthcare are constant changes addressed by current MSN programs that prepare NPs. In response to the increased need for knowledge and skills, MSN NP programs have grown to 50-60 semester credit hours in length. The intent of the DNP is to not only meet the NP's need for additional knowledge to practice at a higher level, but also to provide the credentials congruent with the length and educational demands of the current MSN programs. In healthcare systems, there is a shortage of expert leaders and this DNP curriculum promotes the development of leadership skills. The U.S. and Texas are faced with a severe nursing faculty shortage, and the DNP will provide the terminal degree for nurses to teach in Bachelor of Science in Nursing (BSN) and MSN programs and, ultimately, in DNP programs. The graduates of DNP programs will have the knowledge and skills to make significant contributions to the health of consumers through their leadership and clinician roles in healthcare systems and in their roles as educators in a variety of nursing degree programs. Approximately 20 letters of support were obtained for the DNP program indicating the need for, and the willingness to hire, DNP graduates.

Program Quality

The U. T. Arlington School of Nursing currently has 10 expert, tenured, tenure-track, associate, and full clinical professors to provide the instruction needed for the DNP program. These faculty members are conducting research, are publishing, and are

currently involved in clinical practice. The School of Nursing has over \$2,800,000 in external funding for the 2006-07 academic year. A total of five new faculty positions will be created over the first five years of the DNP (one new faculty member each year) to cover the instruction required in the BSN and MSN programs as faculty are reassigned to teach in the DNP program. A six-story, 154,000 square foot building houses nursing and provides classrooms and office space for the faculty. In addition, a room has been designated for Ph.D. and DNP students. In Summer 2007, 13,000 square feet of additional space will be opened that includes a state-of-the-art clinical learning facility for BSN, MSN, and DNP students. Thus, the School of Nursing has adequate existing facilities to accommodate the DNP program faculty, students, and classes.

Program Cost

The cost for operating the DNP program over five years is approximately \$1,633,648. This includes \$1,215,900 (\$960,000 for fall and spring and \$255,900 for summer) for faculty salaries, \$132,000 for program administration, \$89,748 for graduate assistants' support, and \$196,000 for staff support. The projected revenues to be generated total \$1,945,876, with \$1,110,596 from formula funding, \$812,430 from other State funding, and \$22,850 from a School of Nursing fund. These funds are expected to be sufficient to fully fund the program.

2. U. T. Dallas: Honorific naming of the NanoTech Institute as the Alan G. MacDiarmid NanoTech Institute

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Daniel that the U. T. System Board of Regents approve the honorific naming of the NanoTech Institute at U. T. Dallas as the Alan G. MacDiarmid NanoTech Institute.

BACKGROUND INFORMATION

Nobel Prize Laureate, Dr. Alan G. MacDiarmid (1927-2007), joined U. T. Dallas in August 2002 when he filled the newly created James Von Ehr Distinguished Chair in Science and Technology. He was affiliated with the University a year earlier as a distinguished scholar-in-residence. Dr. MacDiarmid shared the 2000 Nobel Prize in chemistry with Dr. Alan Heeger and Dr. Hideki Shirakawa for their discoveries that plastics can be made electrically conductive, thus creating the field of conducting polymers, also known as "synthetic metals." Some of the practical applications of his research include rechargeable batteries, gas sensors, and light-emitting devices. In recent years, Dr. MacDiarmid pioneered research in the field of nanoelectronics and became a champion of the emerging field of renewable energy. He was a member of

the National Academy of Sciences and the National Academy of Engineering. Dr. MacDiarmid graduated with a chemistry degree from the Victoria University in Wellington in 1951. He received a Master of Science in 1952 and a doctoral degree in 1953 from the University of Wisconsin. In 1955, he received a second Ph.D. from Cambridge University.

The NanoTech Institute brings together researchers with diverse backgrounds to focus on the application of nanotechnology to energy harvesting, conversion, and storage; on the synthesis and properties of photonic crystals, carbon nanotubes, bio-assembled materials, solar cells, organic light emitting diodes, and artificial muscles; and on the creation of materials with extreme properties. NanoTech Institute researchers have produced the toughest known fiber, the first electronic textiles based on nanotubes, a new technology for thermal energy harvesting, the first twist-spun nanotube yarns, the fabrication of strong nanotube sheets at industrially-useful rates, electrically powered and fuel-driven artificial muscles that generate a hundred times higher forces than natural muscles with comparable actuation strokes, and experimental and theoretical insights into the structure and properties of nanostructured materials.

The NanoTech Institute reaches out to inspire scientists of all ages. Each summer, local area high school students join researchers at the NanoTech Institute and become NanoExplorers who work in the labs as interns on real projects. The NanoInventors program provides a place for retired scientists and engineers to invent and share in potential royalties.

Since 2002, researchers at the NanoTech Institute have published well over 100 research articles in journals like *Science*, *Nature*, and *Nature Materials* and have received coverage in *The Wall Street Journal*, *Business Week*, *USA Today*, *The New York Times*, *Discover Magazine*, *National Geographic*, *Readers Digest*, and various other publications found on news stands and television news shows around the world. Their advances were listed by *Discover Magazine* as eighth in the hundred most important news stories of 2005. In 2006, Solarno, Inc., became the first start-up company spun off from research at the NanoTech Institute. Solarno, Inc., recently awarded \$240,000 by the Houston Advanced Research Center, will develop new types of nanostructured solar cells and organic light emitting diodes that are based on NanoTech's carbon nanotube technology.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the honorific naming of facilities.

3. **U. T. Dallas: Center for BrainHealth - Request for approval of acceptance of gifts of outdoor works of art**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Daniel that the U. T. System Board of Regents approve the acceptance of three outdoor works of art, specifically the "Lincoln Centre Eagle" by Mr. Ken Ullberg, an untitled sculpture by Mr. Robert Russin, and the "Fan" by Mr. David Lee Brown, for display at U. T. Dallas' Center for BrainHealth, located at 2200 West Mockingbird Lane, Dallas. The request is in accordance with Regents' *Rules and Regulations*, Series 60101, Section 3.1 regarding outdoor works of art.

Supplemental Materials: Photos of the sculptures on Pages 105 - 107 of Volume 2.

BACKGROUND INFORMATION

Late Winter 2007, Dr. Sandra B. Chapman, Director of the Center for BrainHealth, became aware that the owner of the artworks was seeking an appropriate charity to receive a gift of the three sculptures. Dr. Chapman was familiar with the artwork from a prior connection with the Lincoln Centre in Dallas, where the sculptures were previously displayed. Dr. Chapman and the Center's advisory board vice chairman, Mr. Bob Wilbur, researched the opportunity and entered into discussions with the donor. The donor, a corporate entity that wishes to remain anonymous, was particularly interested in making the gift to the Center for BrainHealth (CBH) because of the donor's affinity for research and clinical programs. The donor and U. T. Dallas have entered into a Charitable Contribution Agreement that has been signed by President Daniel and is pending, to be effective if the gift is approved by the Board of Regents.

For this project, the CBH followed U. T. Dallas' Policy and Procedures for Public Art. The Outdoor Art Committee, chaired by Dean Dennis Kratz, met on May 17, 2007, to consider the gift of artworks. The Committee approved the gift of artworks and provided its recommendation to President Daniel.

The Lincoln Centre Eagle was created by Ken Ullberg. He has won numerous gold medals for his sculptures, and his works are displayed worldwide. The untitled sculpture, made of pink marble and brass, was created by Robert Russin. His work is displayed nationally. The Fan was created by David Lee Brown. He has works on display in Japan, New York, the U.S., and Saudi Arabia.

All installation, lighting, storage, and transportation charges for these artworks will be covered by funds donated to the CBH as part of the recent gift of \$5 million from the T. Boone Pickens Foundation of which \$1 million has been allocated to exterior work at the CBH including concrete interlocking pavers for the parking lot, exterior tree lighting, and landscaping.

Proposed placement of these outdoor works of art is consistent with U. T. Dallas' Campus Master Plan.

4. **U. T. Permian Basin: Authorization to accept a \$2 million gift from the Helen Greathouse Charitable Trust and to name the multiuse recital hall in The Wagner Noël Performing Arts Center as the Helen Greathouse Hall**

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 authorize acceptance of a \$2 million gift from the Helen Greathouse Charitable Trust for construction costs for the performing arts center and to approve the naming of the multiuse recital hall in The Wagner Noël Performing Arts Center at U. T. Permian Basin as the Helen Greathouse Hall.

BACKGROUND INFORMATION

The Helen Greathouse Charitable Trust was created by Mrs. Helen Greathouse in 1997 to carry on the philanthropic endeavors that she and her late husband, Barney, pursued during their lifetimes.

Mr. Barney Greathouse, a pharmacist, married Helen Lee Maddox in 1929, and they moved to Midland, Texas. In 1933, they bought the inventory of a failed drugstore and opened one of their own in downtown Midland. They worked side by side for 37 years, as their store in Midland expanded and a new one was established in Odessa. In 1970, they sold to the Walgreen Company, and their former Midland store became known as "Texas' Largest Drug Store."

Mr. Greathouse was quite involved in the community. He had a wonderful reputation for offering free medicine to children whose families could not afford it. He was a Director of First National Bank, served on the Board of the Texas Methodist Foundation, and was a Director of the Midland Chamber of Commerce. Along with former President George H. W. Bush and two other prominent citizens, Mr. Greathouse chartered the Commercial Bank & Trust, now Chase Bank, in Midland.

Mr. Greathouse's untimely death in 1973 did not allow him to see the full fruits of his work and giving spirit, which were shared by his wife. She saw that their efforts and legacy were carried out when she created the Helen Greathouse Charitable Trust, which became her source of giving back to the community. Mrs. Greathouse passed away in 2001.

Since 1999, the Helen Greathouse Charitable Trust has given U. T. Permian Basin a total of \$365,000 for projects such as the student recreation building renovation, the Helen Greathouse Scholarship, the Midland County Scholarship, and the U. T. Permian Basin Music Program.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the naming of facilities.

5. **U. T. San Antonio: Honorific naming of an outdoor area adjacent to the Biotechnology, Sciences and Engineering Building as the Robert J. Kleberg, Jr. and Helen C. Kleberg Commons (Kleberg Commons)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Romo that the U. T. System Board of Regents approve the honorific naming of an outdoor area adjacent to the Biotechnology, Sciences and Engineering Building as the Robert J. Kleberg, Jr. and Helen C. Kleberg Commons (Kleberg Commons).

BACKGROUND INFORMATION

The area recommended for honorific naming is a beautiful and convenient outdoor gathering and dining space for U. T. San Antonio students, faculty, and staff, especially those of the nearby College of Sciences and College of Engineering.

Located at ground level on the northeast side of the new Biotechnology, Sciences and Engineering (BSE) Building, the 5,500 square foot area provides a quiet retreat from the rigorous and intense academic environments within the BSE Building and other surrounding science and engineering teaching and research facilities.

The naming of this popular gathering place will celebrate the past generosity of the Robert J. Kleberg, Jr. and Helen C. Kleberg Foundation of San Antonio and its ongoing commitment to helping U. T. San Antonio move ever closer to premier research university status.

Mr. Kleberg, the grandson of Captain Richard King of the King Ranch in South Texas, received honorary doctorates in agricultural science from Texas A&M in 1941 and in science from the University of Wisconsin in 1967, where he had completed his undergraduate work. Ms. Helen Campbell attended the Villa Maria Convent in Montreal, Quebec, Canada, and the National Cathedral School in Washington, D.C. Mr. and Mrs. Kleberg were married on March 2, 1926. He died on October 13, 1974 and she died on June 12, 1963.

A major donor to U. T. San Antonio at a critical time in the development of the University's bioscience efforts, the Kleberg Foundation has provided \$1,825,300 in gifts to support a comprehensive bioscience initiative and to help purchase equipment for two important research facilities for the College of Sciences.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the honorific naming of facilities because of the significant history of contributions and support evidenced by the Robert J. Kleberg, Jr. and Helen C. Kleberg Foundation.

6. **U. T. Arlington: Authorization to purchase approximately 2.58 acres and improvements located at 700 and 808 South Center Street, Arlington, Tarrant County, Texas, from the Hong Family Trust for a purchase price of \$2.9 million for initial use as open space and for future programmed development of campus expansion**

RECOMMENDATION

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

- a. purchase approximately 2.58 acres and improvements located at 700 and 808 South Center Street, Arlington, Tarrant County, Texas, from the Hong Family Trust for a purchase price of \$2.9 million, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for initial use as open space and for future programmed development of campus expansion; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

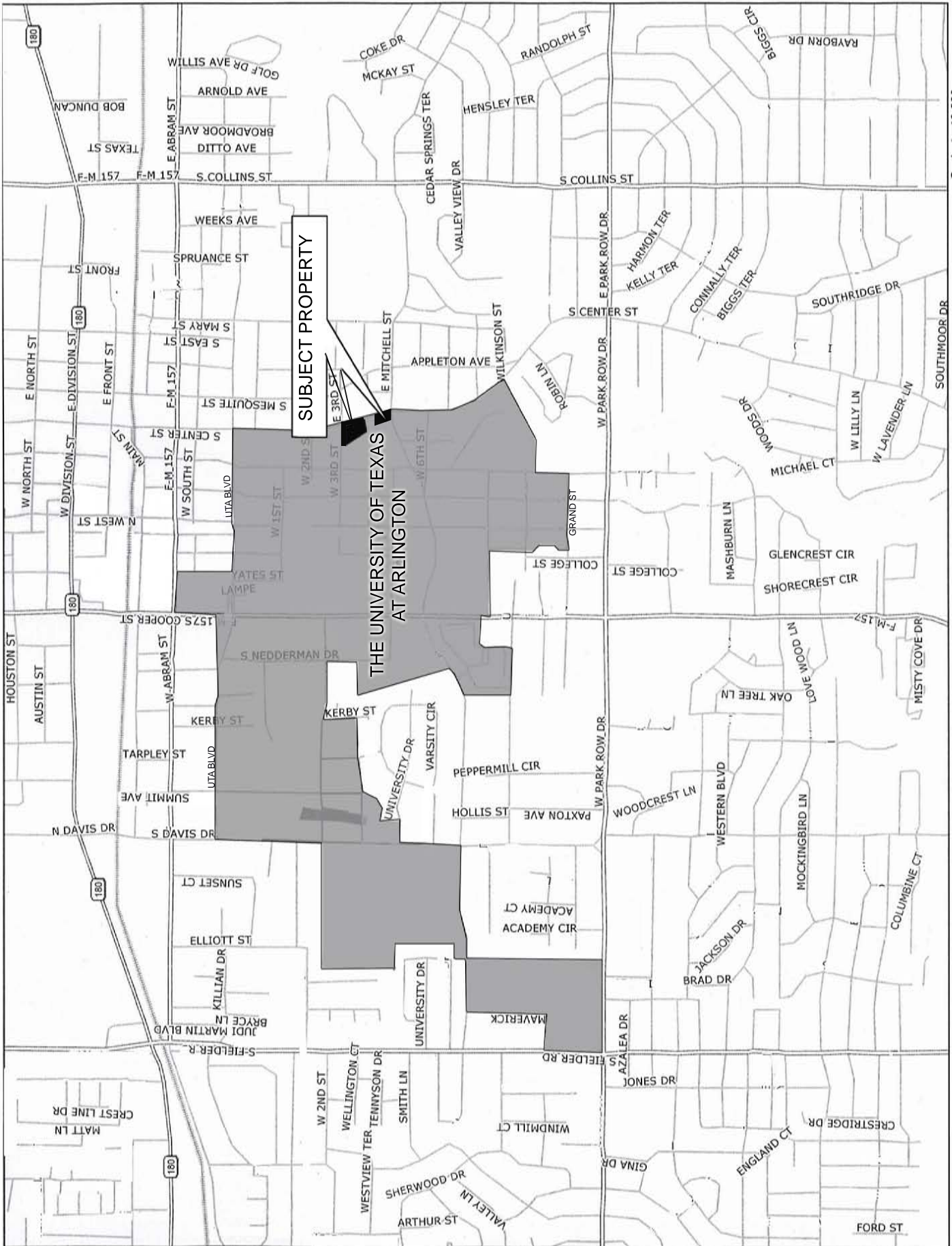
The subject 2.58-acre property consists of two tracts located on the west side of South Center Street, between West Third Street and West Mitchell Street in Arlington, Texas. The tracts are contiguous with the campus boundaries. Purchase of the subject property will complete U. T. Arlington's assembly of the block in which the parcels are located. The property lies within the boundaries of the institution's Campus Master Plan approved by the Board on May 11, 2000, and the institution's 2007 Campus Master Plan that was provided to the Board on May 9, 2007. The property is also in U. T. Arlington's legislatively-approved acquisition zone.

The property is improved with multifamily residential complexes known as the Coronado Apartments and Hamilton House Apartments. The complexes contain a total of 102 units, comprising approximately 53,739 gross square feet. U. T. Arlington proposes to demolish the improvements and landscape the property, which is adjacent to a tributary of Johnson Creek, as open space for its campus. The property will be held for future programmed development of campus expansion.

Institutional funds from operations will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below:

Transaction Summary

| | |
|----------------------|---|
| Institution: | U. T. Arlington |
| Type of Transaction: | Purchase |
| Total Area: | Approximately 2.58 acres |
| Improvements: | Two multifamily residential complexes, totaling 53,739 gross square feet |
| Location: | 700 and 808 South Center Street, Arlington, Tarrant County, Texas; see attached map |
| Seller: | Hong Family Trust |
| Purchase Price: | \$2.9 million |
| Appraised Value: | \$2.9 million (James Hanes, MAI, Hanes Appraisal Company, May 18, 2007) |
| Source of Funds: | Institutional funds from operations |
| Intended Use: | Open space initially; future programmed development of campus expansion |



7. **U. T. Dallas: Authorization to ground lease approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres out of U. T. D. Synergy Park - Phase I plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas, to the Dallas International School, a Texas nonprofit corporation, for a term not to exceed 75 years plus an initial construction period not to exceed 30 months, for construction and operation of a prekindergarten through secondary private school**

RECOMMENDATION

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

- a. ground lease approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres out of U. T. D. Synergy Park - Phase I plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas, to the Dallas International School, a Texas nonprofit corporation, for a term not to exceed 75 years plus an initial construction period not to exceed 30 months on the terms stated below, for construction and operation of a prekindergarten through secondary private school; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The Dallas International School desires to lease the subject property, which is vacant and is located on a site across Waterview Parkway from U. T. Dallas's main campus, to construct and operate a private prekindergarten through secondary school. U. T. Dallas proposes to lease the subject property at a market rental based on the fair market value of the property as determined by an independent appraisal. Rent will grow through annual escalations and periodic reappraisals.

The Dallas International School is a private, coeducational school currently offering a rigorous prekindergarten through middle school curricula featuring an international perspective and extensive instruction in French, English, and Spanish. Relocation of the Dallas International School from its current Dallas location will allow it to extend its curricula to include high school. The Dallas International School is affiliated with the Mission Laique, a French nonprofit corporation that promotes French-speaking schools worldwide. U. T. Dallas selected the Dallas International School through direct negotiations on the basis of the unique attributes of that school, including its pedagogy, extensive foreign language instruction, and international outlook. Locating the Dallas International School adjacent to its campus will offer U. T. Dallas faculty and staff more convenient educational options for their children, and will create the opportunity for shared programs that benefit both institutions.

Dallas International School will construct and operate its school facilities at its own expense. The Mission Laique will provide a guaranty of the lease until the construction of the improvements is complete. The lease will give U. T. Dallas the right to approve the plans and specifications of the proposed improvements and will limit the use of the property to a school offering prekindergarten through secondary education. The ground lease will also contain provisions in which the tenant indemnifies the landlord for all matters arising from the tenant's use or occupancy of or activities on the premises and acknowledges and agrees that the landlord will not be liable for the acts or omissions of the tenant.

The property consists of a 12.82-acre main tract that is vacant and an additional one-acre tract that is at the rear of a U. T. Dallas facility and that the tenant may opt to include in the ground lease. The latter parcel was initially intended for expansion of the existing facility, but U. T. Dallas has determined that no such expansion is required.

The terms and conditions of the proposed ground lease are specified in the transaction summary below:

Transaction Summary

| | |
|----------------------|---|
| Institution: | U. T. Dallas |
| Tenant: | Dallas International School, a Texas nonprofit corporation |
| Type of Transaction: | Lease |
| Total Area: | Approximately 13.8 acres |
| Improvements: | School facilities for prekindergarten through secondary education |

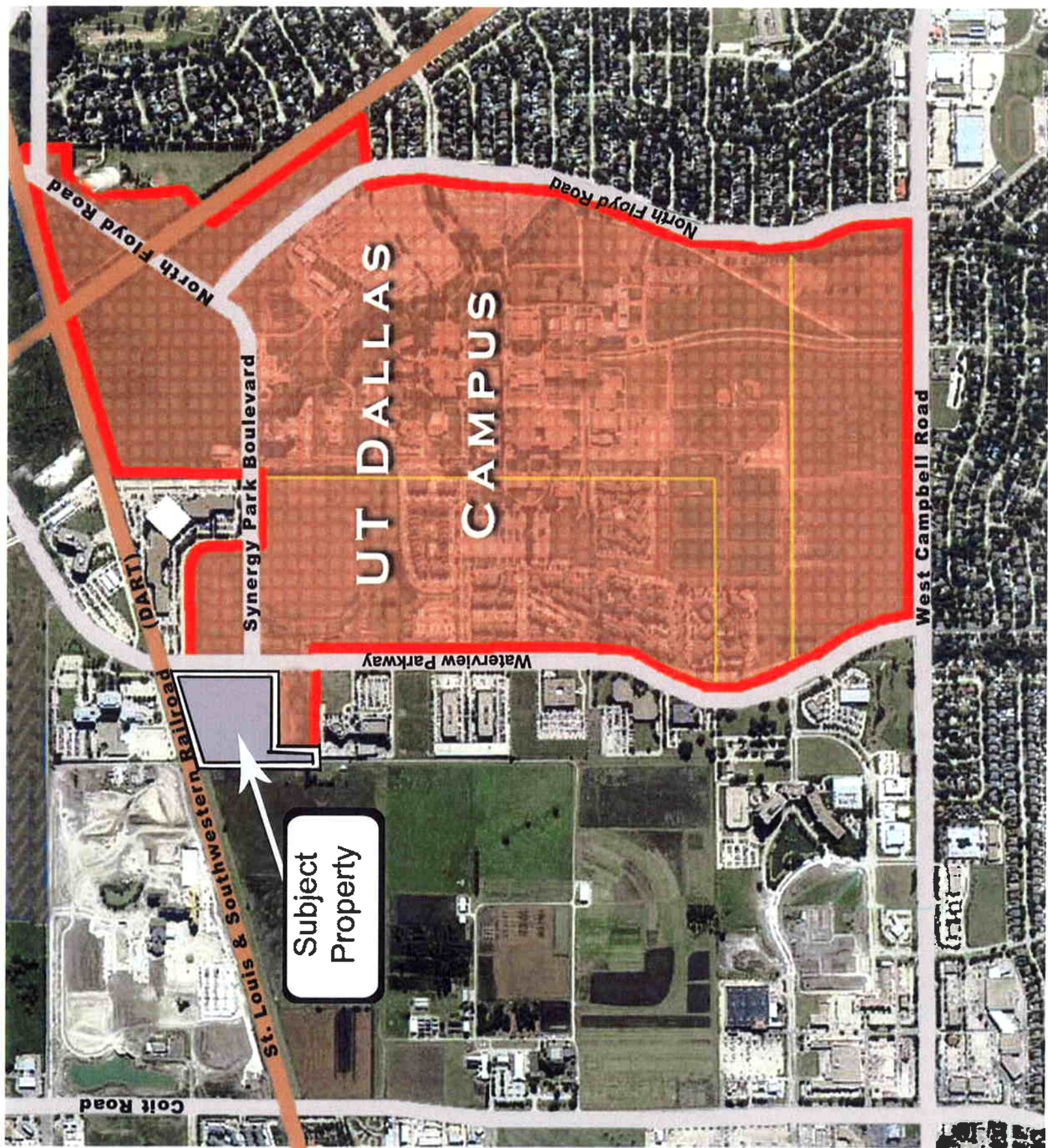
Location: Approximately 12.8 acres on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of the remainder of U. T. D. Synergy Park - Phase I plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas; see attached map

Rent: Initial rent will be a market rental based on the fair market value of the property as determined by an independent appraisal; rent will increase annually and will be subject to periodic adjustments based on current appraisals

Appraised Value: For the 12.82-acre main tract: \$2,900,000 (\$5.17 per square foot) (James Underhill, MAI, Appraisal Lynx, June 21, 2007); the same per square foot value is assumed for the additional one-acre adjacent parcel

Lease Term: 40 years plus a construction period not to exceed 30 months and one 20-year and one 15-year renewal option

Uses: Prekindergarten, primary, and secondary school



8. **U. T. San Antonio: Authorization to purchase approximately 2.70 acres and improvements located at 402 West Nueva Street, San Antonio, Bexar County, Texas, from Mr. and Mrs. Bob W. Coleman at a purchase price not to exceed fair market value as determined by independent appraisals for use as an academic facility**

RECOMMENDATION

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

- a. purchase approximately 2.70 acres and improvements located at 402 West Nueva Street, San Antonio, Bexar County, Texas, from Mr. and Mrs. Bob W. Coleman for a purchase price not to exceed fair market value as determined by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for use as an academic facility; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property is located directly across the elevated Interstate Highway 35 from the U. T. San Antonio Downtown Campus. The University has a long-term lease with the Texas Department of Transportation for parking beneath the highway. The site is improved with a 49,725 square foot vacant light manufacturing building and associated paved parking for approximately 150 vehicles.

U. T. San Antonio desires to acquire and renovate the facility to relocate one or more academic units from its 1604 Campus in order to maximize the availability of square footage in the core of the 1604 Campus for additional classrooms and faculty offices. U. T. San Antonio currently has the largest space deficit of any public institution of higher education in the State. The institution is considering relocating a significant portion of the Art Department to the subject property, providing it adjacency to U. T. San Antonio's College of Architecture and proximity to many of the city's growing

downtown art venues and museums. Relocation of the Art Department will make available approximately 35,000 square feet of academic space located in the core of the 1604 Campus.

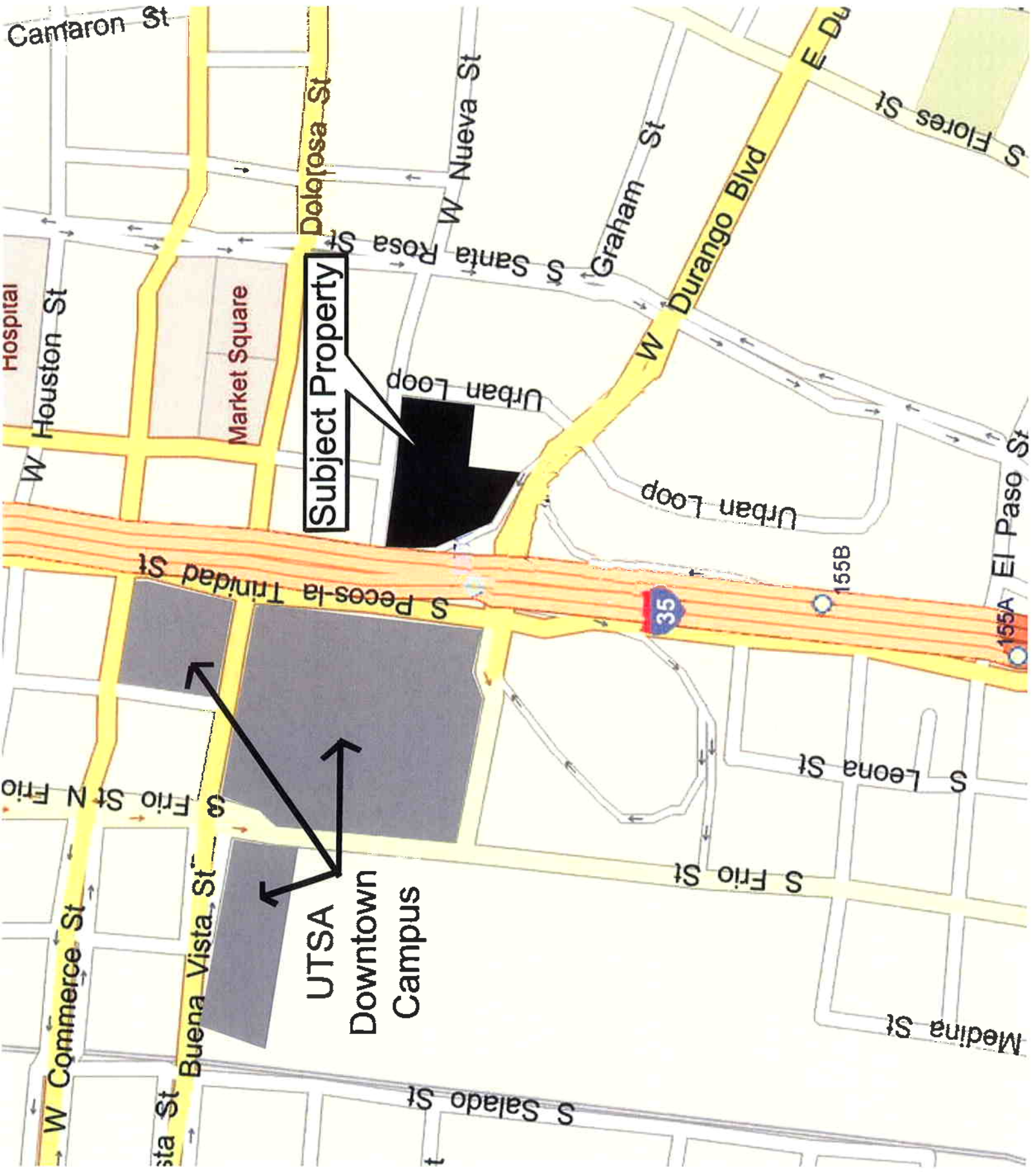
The acquisition of additional land and improvements at the Downtown Campus is in accordance with the University's 2007-2016 Strategic Plan, recently forwarded to U. T. System Administration for review and approval.

During the feasibility period for acquisition of the property, the institution will evaluate the improvements to estimate renovation costs. It is anticipated, however, that total cost after renovations will be significantly less than the cost of new construction. No approval of or funding for renovations is being requested at this time.

Institutional funds will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below:

Transaction Summary

| | |
|----------------------|--|
| Institution: | U. T. San Antonio |
| Type of Transaction: | Purchase |
| Total Area: | Approximately 2.70 acres |
| Improvements: | 49,725 square foot vacant light manufacturing building built in 1970 with a subsequent addition, and associated paved parking for approximately 150 vehicles |
| Location: | 402 West Nueva Street, San Antonio, Bexar County, Texas; see attached map |
| Seller: | Mr. and Mrs. Bob W. Coleman |
| Purchase Price: | Not to exceed fair market value as determined by independent appraisals |
| Appraised Values: | \$2,965,000 (Martyn Glen, MAI, CRE, Integra Realty Resources, February 16, 2007) \$2,260,000 (Blair Stouffer, MAI, SRA, Stouffer & Associates, February 13, 2007) |
| Source of Funds: | Institutional funds from operations |
| Intended Use: | Academic facility |



9. **U. T. System Board of Regents: Reports from academic presidents, Executive Vice Chancellor Prior, and Academic Affairs Committee members**

REPORT

The academic presidents and Executive Vice Chancellor Prior will report on areas such as new research grants, graduation rates, significant collaborations with external agencies, or other topics deemed to be important. This is a quarterly update to the Academic Affairs Committee of the U. T. System Board of Regents.

Committee members may also report on topics of importance.



TABLE OF CONTENTS FOR STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE

Committee Meeting: 8/23/2007
Austin, Texas

Judith L. Craven, M.D., Chairman
John W. Barnhill, Jr.
Rita C. Clements
Robert A. Estrada
Colleen McHugh
Michael Swindle, Chair, Employee Advisory Council
Ted Pate, Chair, Faculty Advisory Council
Tommy Thompson, Chair, Student Advisory Council

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| Convene | <i>8:00 a.m.</i> <i>Chairman</i> <i>Craven</i> | |
| 1. U. T. Pan American: Overview of the institution | <i>8:00 a.m.</i> Report <i>Dr. Cárdenas</i> | 193 |
| 2. U. T. System: Annual meeting with officers of the U. T. System Faculty Advisory Council | <i>8:15 a.m.</i> Report <i>Dr. Pate</i> | 193 |
| Adjourn | <i>8:55 a.m.</i> | |

1. **U. T. Pan American: Overview of the institution**

REPORT

President Cárdenas will discuss transformative activities at U. T. Pan American during the last three years and outline projections for the future.

2. **U. T. System: Annual meeting with officers of the U. T. System Faculty Advisory Council**

REPORT

The U. T. System Faculty Advisory Council will meet with the Board to discuss accomplishments of the Council and plans for the future following the agenda below. Council members scheduled to attend are:

Chair: Ted Pate, Ph.D., U. T. Health Science Center - Houston

Faculty Quality Committee Co-Chair: Dan Formanowicz, Ph.D., U. T. Arlington

Health Affairs Committee Co-Chair: Joel Dunnington, M.D., U. T. M. D. Anderson Cancer Center

AGENDA

1. Introductions
2. Chairperson's report and overview
Supplemental Materials: Dr. Pate's PowerPoint presentation on Pages 108 – 112 of Volume 2.
3. Standing Committee presentations

Retaining and Graduating Students
Supplemental Materials: Dr. Formanowicz's PowerPoint presentation on Pages 113 – 120 of Volume 2.

Health Professions Faculty Shortages
Supplemental Materials: Dr. Dunnington's PowerPoint presentation on Pages 121 – 129 of Volume 2.

BACKGROUND INFORMATION

The University of Texas System Faculty Advisory Council was established in 1989 to provide a forum for communicating ideas and information between faculty, the Board of Regents, and the Executive Officers of U. T. System. Council guidelines require that recommendations have a multi-institutional focus and that the Council explore individual campus issues with institutional administrators prior to any consideration. The Faculty Advisory Council consists of two faculty representatives from each U. T. System institution enrolling students and meets quarterly, usually in Austin. The Standing Committees of the Council are: Academic Affairs, Faculty Quality, Governance, and Health Affairs.