

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIIIb

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on:

March 9, 2001
April 30, 2001
May 9-10, 2001
June 27, 2001
July 10, 2001
August 8-9, 2001

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - Executive Session

Yellow paper – for documentation of items submitted after the deadline date for inclusion in the Agenda (late items) and distributed to members of the Board of Regents prior to the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Counsel and Secretary to the Board was furnished a copy, then that material goes into the appropriate subject file.



**Material Supporting the Agenda
of the
Board of Regents
The University of Texas System**

Meeting No. 943

August 8-9, 2001

Arlington, Texas

Executive Session of the Board

BOARD OF REGENTS
EXECUTIVE SESSION
Pursuant to Texas Government Code
Chapter 551, Sections 551.071, 551.072 and 551.074

Date: **August 8, 2001**

Time: **11:30 a.m.**

Place: Fleetwood Room, 2nd Floor, Arlington Hilton Hotel, 2401 East Lamar Boulevard, Arlington, Texas

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

U. T. System: Authorization to Purchase Lots 1 and 2 and the West 59 Feet of Lot 3, Block 082, of the Original City of Austin, Travis County, Texas, to Remodel the Improvements Located Thereon and to Construct an Additional Floor of Parking on the U. T. System Administration Complex West Parking Garage; Authorization to Take All Necessary Actions Required to Carry out These Functions; and Authorization to Execute All Documents Related Thereto According to the Parameters Outlined in Executive Session

2. Consultation with Attorney Regarding Legal Issues - Section 551.071

U. T. System: Legal Issues

3. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

U. T. System: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

BOARD OF REGENTS
EXECUTIVE SESSION continued

Date: **August 8, 2001**

Time: **3:00 p.m.**

Place: Shamrock Room, 1st Floor, Arlington Hilton Hotel, 2401 East Lamar
Boulevard, Arlington, Texas

Personnel Matters Relating to Appointment, Employment, Evaluation,
Assignment, Duties, Discipline, or Dismissal of Officers or Employees -
Section 551.074

- a. U. T. System: Consideration of Personnel Aspects of the
Operating Budgets for the Fiscal Year Ending August 31, 2002,
Including Auxiliary Enterprises, Grants and Contracts, Designated
Funds, Restricted Current Funds, and Medical and Dental
Services, Research and Development Plans and Authorization
for the Chancellor to Make Editorial Corrections Therein

- b. U. T. System: Personnel Matters Relating to Evaluation
of Presidents and U. T. System Executive Officers

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Miller

Date: August 9, 2001

Time: Following the Reconvening of the Board of Regents at
approximately 8:30 a.m.

Place: Bluebonnet Ballroom South, E.H. Hereford University Center,
U. T. Arlington

**There are no items to be considered by the Executive Committee for
this meeting.**

Finance & Planning Committee

FINANCE AND PLANNING COMMITTEE
Committee Chairman Hunt

Date: August 9, 2001
Time: Following the Meeting of the Executive Committee
Place: Bluebonnet Ballroom South, E.H. Hereford University Center,
U. T. Arlington

	<u>Page</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 106</u>	34
2. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part One, Chapter I, Section 9 (Documents Executed on Behalf of the Board), Subsection 9.2, Subdivision 9.29, Subparagraph 9.291	34
3. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter IV (Purchasing), Sections 1 through 5	36
4. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter VII, Section 8 (Disposal of Property of the System)	39

5. U. T. System: Recommended Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2002, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects 42

6. U. T. System: Recommendation to Adopt the Six-Year Capital Improvement Program (CIP) for Fiscal Year 2002 Through Fiscal Year 2007; Approve the Capital Budget for Fiscal Years 2002 and 2003; Approve Redesignation of Previously Approved Projects in the CIP; Reduce Previously Appropriated Funds for Repair and Rehabilitation Projects Deleted or Decreased in Scope; Appropriate Additional Funds for Previously Approved Projects with Increased Total Project Costs; Appropriate Funds for New Repair and Rehabilitation Projects Initiated in the Capital Budget; and Approve 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, Receipt of Parity Debt Certificate from the U. T. System Representative, and Determine that the Component Institutions for Whom the Parity Debt is being Requested Possess the Financial Capacity to Satisfy their Respective Debt Obligation 46

7. U. T. Board of Regents: Proposed Adoption of Tenth Supplemental Resolution to the Master Resolution Authorizing the Issuance 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 \$580,000,000; Authorization for Officers of U. T. System to Complete All Related Transactions; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity 56

8. U. T. System: Request to Amend Section VIII of the Standard Bank Depository Agreement and to Delegate Editorial Authority 60

9.	U. T. System: Request to Approve an Aggregate Amount of Equipment Financing for Fiscal Year 2002 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity	61
10.	U. T. System: Request for Approval to Exceed the Full-Time Equivalent Limitation on Employees Paid from Appropriated Funds as Required by the General Appropriations Act of the 77th Texas Legislature, Article IX, Section 6.14	66
11.	U. T. System: Request to Approve Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 2001	68
12.	U. T. System: Proposed Amendments to the Regental Policy Regarding the Sick Leave Pool	69
13.	U. T. Board of Regents: Request to Change Trustee and Record Keeper for The University of Texas Governmental Retirement Arrangement Effective September 1, 2001, and Authorization to Execute All Documents Related Thereto	72
14.	U. T. System Administration and U. T. Austin: Request for Approval to Amend Resolution Regarding the List of Individuals Authorized to Negotiate, Execute, and Administer Classified Government Contracts (Key Management Personnel)	74
15.	U. T. Health Science Center - San Antonio: Request for Authorization to Sell Approximately 80 Acres of Land Located in Universal City, Bexar County, Texas, and Authorization to Execute All Documents Related Thereto	76

UTIMCO ITEMS

1.	U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 2001	77
2.	U. T. System: Request to Amend the Fund Distributions Section of the Permanent University Fund (PUF) Investment Policy Statement	86
3.	U. T. Board of Regents: Request for Approval of the Annual Budget and Management Fee Schedule for The University of Texas Investment Management Company (UTIMCO)	89

4. U. T. Board of Regents: Proposed Reappointment of Member to the Board of Directors of The University of Texas Investment Management Company (UTIMCO) 91

INFORMATIONAL REPORTS

1. U. T. System: Discussion of the June 2001 Monthly Financial Report 92
2. U. T. System: Report on Strategic Planning 92
3. U. T. System: Status Report on the Technology Transfer Commission 92

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 106

RECOMMENDATION

It is recommended that Chancellor's Docket No. 106 be approved.

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

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 9 (Documents Executed on Behalf of the Board), Subsection 9.2, Subdivision 9.29, Subparagraph 9.291

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel, that the Regents' Rules and Regulations, Part One, Chapter I, Section 9, relating to documents executed on behalf of the Board, be amended as set forth below in congressional style:

Sec. 9. Delegation to Act [~~Documents Executed~~] on Behalf of the Board.

...

9.2 Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents.--

...

9.29 The following contracts and agreements must be approved by the Board via the docket or the agenda, regardless of the contract amount:

9.291 Contracts and agreements of any kind or nature with a foreign government or agency thereof, except affiliation agreements and cooperative program agreements prepared on [the] standard forms approved by the Office of General Counsel, and material transfer agreements prepared on an approved standard form or satisfying the requirements set by the Office of General Counsel.

.....

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part One, modify Chapter I, Section 9, Subsection 9.2, Subdivision 9.29, Subparagraph 9.291 to add cooperative program and certain material transfer agreements to those foreign contracts and agreements not requiring approval by the U. T. Board of Regents via the docket or the agenda. The proposed title change to Section 9 better reflects the text of this Section.

3. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter IV (Purchasing), Sections 1 through 5

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, Part Two, Chapter IV related to purchasing, Sections 1 through 5 be amended as set forth below in congressional style:

Sec. 1. Purchasing Ethics.

- 1.1 First consideration shall be given to the objectives and policies of the System and its component institutions.
- 1.2 Every effort shall be made to obtain the best ~~[maximum ultimate]~~ value for each dollar of expenditure.
- 1.3 Honesty in sales representation shall be demanded, whether offered through the medium of oral or written statement, an advertisement, or a sample of the product.
- 1.4 Purchasing agents, ~~[and]~~ their staffs and others authorized by or under these regulations to make purchases shall not accept personal gifts or gratuities that might in any way result in an obligation to individuals or firms seeking business.
- 1.5 All purchases, regardless of the source of funds, shall be made using the method that provides the best value to the component institution or the System and in accordance with (a) the requirements of Sections 51.9335, 73.115, or 74.008, Texas Education Code, as applicable, [on a competitive basis] unless otherwise authorized by law, [U. T.] System policy, or approved component policy; and (b) the component's institutional Handbook of Operating Procedures.
- 1.6 No bidder or proposer shall receive special consideration ~~[or be allowed to revise a bid after the time set for opening bids].~~

1.7 Any violations of these purchasing ethics shall be reported promptly by the chief business officer to the Executive Vice Chancellor for Business Affairs.

Sec. 2. Contacts with State Agencies and Vendors [~~the General Services Commission~~].--All contacts, whether oral or written, with State agencies [~~the General Services Commission~~] and with vendors regarding procurement activities are handled through the Office of General Counsel or the official purchasing agents and the divisions, departments, or offices to whom the purchasing function has been specifically delegated, unless advance written authorization is obtained from the purchasing agent or the chief business officer for other persons to do so.

Sec. 3. [Purchases of Supplies, Materials, Services, and Equipment.

3.1 ~~In making purchases of supplies, materials, services, and equipment on behalf of the System, the General Services Commission (the "Commission") is required to comply with the State Purchasing and General Services Act, Subtitle D, Title 10, Texas Government Code (the "Act"), including the rules and regulations promulgated by the Commission thereunder.~~

3.2 ~~The Act permits the Commission to delegate purchasing functions to a state agency, including an institution of higher education. The Act authorizes institutions of higher education to purchase materials, supplies, or equipment through group purchasing programs that offer discount prices to institutions of higher education, subject to rules to be promulgated by the Commission. In making purchases under such delegated authority or under such group purchasing programs subject to rules of the Commission, the System shall follow the Commission's applicable procedures or rules.~~

3.3 ~~The Act provides that the Commission's authority does not extend to acquisition of:~~

- ~~(a) specified categories of supplies, materials, services, or equipment for libraries operated as part of university systems or institutions of higher education;~~
- ~~(b) materials, supplies, or equipment purchased by state-owned hospitals or clinics through certain group purchasing programs;~~

- (c) ~~professional services or consulting services; or~~
- (d) ~~supplies, materials, services, or equipment for resale, for auxiliary enterprises, for organized activities relating to instructional departments, or from gifts or grants, including industrial or federal grants or contracts in support of research.~~

3.4 ~~The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 4 below.~~

Sec. 4.] Purchasing Procedures.

3.1[4.4] The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable State [state] law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.

3.2[4.2] Closed [~~or noncompetitive~~] specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

Sec. 4[5]. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component institution of any supplies, materials, services, equipment, or property must have the prior approval of the component president and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other

known source. This Section does not apply to sales or purchases made at public auction or sales approved by the institutional president valued at \$5,000 or less.

BACKGROUND INFORMATION

The revisions to Part Two, Chapter IV, Sections 1 through 5 of the Regents' Rules and Regulations are intended to reflect the statutory authority of U. T. System and the component institutions to acquire goods and services using the purchasing method that provides the best value.

The 77th Texas Legislature amended Section 51.9335 of the Texas Education Code effective September 1, 2001, to permit institutions of higher education to acquire goods or services by the method that provides the best value to the institution. Obtaining this statutory authority was one of the deregulation issues included in the U. T. System legislative initiatives in the 77th Texas Legislature.

Medical components received prior statutory authorization to use best value purchasing methods; with the change to Section 51.9335 of the Texas Education Code, academic components may use such methods commencing September 1, 2001.

4. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter VII, Section 8 (Disposal of Property of the System)

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, Part Two, Chapter VII, Section 8, regarding disposal of property of the U. T. System, be amended as set forth below in congressional style:

Sec. 8. Disposal of Property of the System.--The process outlined in this Section governs the sale and disposal of property, with the exception of sale of artwork or duplicate volumes which is covered by Section 11 of this Chapter.

8.1 Whenever any item of equipment becomes obsolete or useless for the needs and purposes of the department concerned, a written report of such fact shall be made to the chief business officer to determine whether or not such item of equipment is needed by any other department and, if so, to transfer and assign the equipment to such department.

8.2 If the chief business officer shall determine that the equipment is not needed for any department, ~~[and] that is not practicable to store the equipment for possible future use, and that [he or she shall proceed to sell the item concerned. If]~~ the equipment can be used for instructional purposes, it shall be made available to a public school or school district in accordance with Section 2175.304(b) of the Texas Government Code before disposing of the property in another manner. The instructional equipment may be transferred to the public school or school district for such consideration, or for no consideration, as the chief business officer determines appropriate.

8.3 Surplus or salvage data processing equipment, as defined by Section 2054.003(3)(A) of the Texas Government Code, that is not transferred to a public school or school district as provided in Subsection 8.2 of this Section or that is not disposed of under other law must be offered next and at no charge to a school district, open enrollment charter school, or the Texas Department of Criminal Justice in accordance with Subchapter C of Chapter 2175 of the Texas Government Code.

8.4 Surplus or salvage equipment that is not disposed of as provided in Subsections 8.1, 8.2, or 8.3 of this Section shall be disposed of in accordance with the following provisions.

8.41 [8.3] For items of little value or limited use where sale on competitive bids is not practicable, the chief business officer shall have the authority to dispose

of the property on the basis of negotiated bids or surplus auction in amounts under \$50,000.

8.42 [8.4] Sale of property estimated to bring \$50,000 or more shall be made on a basis of competitive bids.

8.43 [8.5] A sale in the amount of \$100,000 or more shall be approved in advance by the Chancellor and ratified by the Board through the institutional docket.

8.44 [8.6] Sales to employees are governed by the provisions of Part Two, Chapter IV, Section 5 of these Rules.

8.5 If an item of surplus or salvage equipment is not disposed of as provided in this Section and the chief business officer determines that the item is of nominal use or value, the chief business officer may direct that the item be donated to a civic or charitable organization or destroyed. If the chief business officer directs the donation of the item to a civic or charitable organization, he or she shall assure that the donation serves a proper public purpose appropriate to the function of the U. T. System or the U. T. System component institution, adequate consideration flows to the public, and sufficient controls are in place to ensure the public purpose is achieved.

BACKGROUND INFORMATION

The current text of Part Two, Chapter VII, Section 8 of the Regents' Rules and Regulations was adopted by the U. T. Board of Regents at the August 10, 2000 meeting. The process for disposal of surplus property is provided and reflects the requirement of Section 2175.304(b) of the Texas Government Code that surplus materials or equipment that can be used for instructional purposes be offered to a public school or school district. Part Two, Chapter VII, Section 8 of the Regents' Rules and Regulations does not currently permit the donation of surplus property.

Sections 2175.126(b) and 2175.128(b) of the Texas Government Code, as adopted by the 77th Texas Legislature, require that surplus data processing equipment that is not disposed of under other law be made available at no charge to a school district, open enrollment charter school, or the Texas Department of Criminal

Justice. School districts and open enrollment charter schools may then transfer the equipment to qualifying students pursuant to Section 32.102 of the Texas Education Code.

In 1993, the Attorney General of Texas issued an opinion (Texas Attorney General Opinion No. DM-268) that a donation of surplus property with nominal use or value to the governmental entity is permissible if: (1) the donation serves a public purpose appropriate to the function of the governmental entity; (2) adequate consideration flows to the public as a result of the donation; and (3) the governmental entity maintains sufficient controls to assure that the public purpose is met.

The proposed amendments to Part Two, Chapter VII, Section 8 of the Regents' Rules and Regulations reflect the statutory requirement to transfer surplus data processing equipment not disposed of in accordance with other law to a school district, open enrollment charter school, or the Texas Department of Criminal Justice, and include language to permit donations of surplus property in accordance with the three requirements identified in Texas Attorney General's Opinion DM-268.

5. U. T. System: Recommended Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2002, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, and presidents of the U. T. System component institutions, recommends that the non-personnel aspects of the U. T. System Operating Budgets for the Fiscal Year ending August 31, 2002, 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. Board of Regents through the institutional dockets.

It is requested that Permanent University Fund Bond Proceeds in the amount of \$30,000,000 be appropriated from reserves to fund Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 2002. In addition, it is recommended that the U. T. System component institutions be authorized to purchase 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 are to receive prior approval by the Chancellor and appropriate Executive Vice Chancellor and, where required, the U. T. Board of Regents. Transfers by the 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 Board.

Fiscal Year 2002 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of Fiscal Year 2002 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the president and the appropriate Executive Vice Chancellor.

This item requires the concurrence of the Academic Affairs and Health Affairs Committees.

BACKGROUND INFORMATION

The Chancellor will present a statement in support of the Operating Budget recommendations at the meeting on August 8, 2001.

Personnel aspects of the Operating Budgets will be considered in Executive Session (see Page 1b).

The appropriation of Permanent University Fund Bond Proceeds Reserves will be presented in the Fiscal Year 2002 Library, Equipment, Repair and Rehabilitation Budget. An allocation of \$30,000,000 is being requested for Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 2002. The allocation of these

reserves to the U. T. System component institutions was developed from prioritized lists of projects submitted by the component 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 set forth on Page 45. The additional appropriation of Permanent University Fund Bond Proceeds for this allocation is within the policy as shown in the forecast.

**AVAILABLE UNIVERSITY FUND OPERATING STATEMENT
ACTUAL AND FORECAST DATA**

(\$ Millions)	Actual	Estimated	Budget	Forecast				
	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
PUF Distribution Amount (1)	\$297.56	\$317.08	\$338.43	\$368.64	\$375.81	\$384.91	\$404.19	\$425.16
Surface & Other Income	6.2	6.5	6.9	7.1	7.4	7.5	7.5	7.5
Divisible Income	303.7	323.6	345.3	375.7	383.2	392.4	411.6	432.6
U. T. System Share (2/3)	202.5	215.7	230.2	250.5	255.4	261.6	274.4	288.4
AUF Interest Income	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0
Income Available to U. T.	212.5	225.7	238.2	258.5	263.4	269.6	282.4	296.4
TRANSFERS:								
U. T. Austin Excellence Funds (45%)	(89.8)	(102.5)	(107.2)	(116.3)	(118.5)	(121.3)	(127.1)	(133.4)
PUF Debt Service on Approved Projects (2)	(132.5)	(67.7)	(79.5)	(98.8)	(105.1)	(107.6)	(110.2)	(112.8)
System Adm & Other	(22.6)	(24.3)	(27.7)	(29.1)	(30.6)	(32.1)	(33.7)	(35.4)
System Adm Capital	(1.7)	(4.1)	(1.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Debt Service (Bldg Rev)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	-	-	-
Net Surplus/(Deficit)	(37.4)	23.7	19.4	8.9	3.8	6.5	9.4	12.8
Ending AUF Balance - System	43.1	66.8	86.2	95.1	98.9	105.4	114.9	127.7
PUF Debt Service Coverage	2.86:1	3.35:1	3.01:1	2.62:1	2.51:1	2.51:1	2.57:1	2.63:1

(1) Beginning in FY 2003, distribution amounts are based on a 4.75% distribution rate of the trailing 12-quarter market value of the PUF.
(2) PUF debt service based on all PUF projects currently included in the CIP plus additional \$30 million annual LERR appropriations.

6. U. T. System: Recommendation to Adopt the Six-Year Capital Improvement Program (CIP) for Fiscal Year 2002 Through Fiscal Year 2007; Approve the Capital Budget for Fiscal Years 2002 and 2003; Approve Redesignation of Previously Approved Projects in the CIP; Reduce Previously Appropriated Funds for Repair and Rehabilitation Projects Deleted or Decreased in Scope; Appropriate Additional Funds for Previously Approved Projects with Increased Total Project Costs; Appropriate Funds for New Repair and Rehabilitation Projects Initiated in the Capital Budget; and Approve 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, Receipt of Parity Debt Certificate from the U. T. System Representative, and Determine that the Component Institutions for Whom the Parity Debt is being Requested Possess the Financial Capacity to Satisfy their Respective Debt Obligation

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Academic Affairs that the U. T. Board of Regents:

- a. Adopt the U. T. System Capital Improvement Program (CIP) for Fiscal Year 2002 through Fiscal Year 2007
- b. Approve the Capital Budget for Fiscal Year 2002 and Fiscal Year 2003
- c. Approve the redesignation of projects previously approved in the CIP as set forth on Page 50
- d. Reduce previously appropriated funds in an aggregate amount of \$52,241,000 for repair and rehabilitation projects deleted or decreased in scope in the FY 2002-2003 Capital Budget as reflected in the Deleted or Reduced Appropriations column on Pages 51 - 53
- e. Appropriate additional funding with increased total project costs for previously approved repair and rehabilitation

projects in an aggregate amount of \$54,362,200, as reflected in the FY 2002-2003 Capital Budget and as set forth in the Additional Appropriations column on Pages 51 - 53

- f. Appropriate funding in an aggregate amount of \$187,636,750 for new repair and rehabilitation projects initiated in the FY 2002-2003 Capital Budget, as reflected in the Appropriations for Projects Initiated in the Capital Budget column on Pages 51 - 53
- g. Approve the use of \$10,000,000 of Revenue Financing System Parity Debt for the U. T. Austin repair and rehabilitation project initiated in the FY 2002-2003 Capital Budget for which Revenue Financing System Bonds has been identified as all or a portion of the funding for the U. T. System component institution as set forth on Page 54.

Further, it is recommended that the U. T. System Administration be authorized, in consultation with the component institutions, to proceed with planning for projects contained in the Capital Budget portion of the Capital Improvement Program and to bring recommendations to the Chancellor and the U. T. Board of Regents in accordance with the Regents' Rules and Regulations, Part Two, Chapter VIII. (See Item 5 on Page 19 regarding amendments to the Regents' Rules and Regulations, Part Two, Chapter VIII.)

The Chancellor also concurs in 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. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 55, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the projects' costs including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the

Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System

- c. U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$10,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The U. T. System Capital Improvement Program (CIP) details management's plan to preserve and enhance the facility assets held in trust to sustain the public higher education mission of U. T. System component institutions. The CIP is a six-year projection of major repair and rehabilitation and construction projects to be implemented and funded from component institutions and U. T. System-wide revenue sources. Major repair and rehabilitation and construction projects are defined as those with a cost of at least \$2,000,000 and \$1,000,000, respectively. Projects that are architecturally or historically significant are identified as major projects regardless of cost.

Through periodic or continuous facility assessments by the component institutions, projects are identified to address deferred maintenance, code deficiencies, and capital renewal needs, as well as new construction. Projects included in the CIP correspond to the highest priority needs identified in the long-range strategic planning process and institutional capital renewal plans.

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

project funds by the U. T. Board of Regents. (See Item 5 on Page 19 regarding related amendments to the Regents' Rules and Regulations, Part Two, Chapter VIII.)

The Capital Budget is the first two years (FY 2002 and FY 2003) 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 allows these projects to be presented to the Chancellor 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. Board of Regents for further approvals. The U. T. 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, as shown on Page 50, has been requested by the component institutions to more accurately reflect the work to be accomplished.

Future projects listed in the CIP are for consideration when funding has been secured.

Adjustments to appropriations and total project costs for 12 repair and rehabilitation projects are proposed. Reduced appropriations in an aggregate amount of \$52,241,000 are requested for five repair and rehabilitation projects, either deleted or reduced in scope. Additional appropriations in an aggregate amount of \$54,362,200 are requested for increased scopes of seven repair and rehabilitation projects. These changes are reflected in the Deleted or Reduced Appropriation and Additional Appropriation columns on Pages 51 - 53.

It is recommended that funds in the aggregate amount of \$187,636,750 be appropriated for repair and rehabilitation projects initiated in the Capital Budget and as described in the Appropriations for Projects Initiated in the Capital Budget column on Pages 51 - 53.

The proposed CIP will be the subject of a presentation by Chancellor Burck on August 8, 2001. The presentation will identify the economic impact of the proposed projects.

**THE UNIVERSITY OF TEXAS SYSTEM
FY 2002-2007 Capital Improvement Program**

PROJECTS REDESIGNATED IN THIS CIP

Institution	Previously Approved Project Name	Redesignated Project Name
<u>UT Austin</u>	Basketball Support Facility	Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility
	Marine Science Institute Wetlands Education Center-Phase I	Marine Science Institute Wetlands Education Center
	Gregory Gymnasium Aquatics Complex	Gregory Gymnasium Aquatics
	Old Student Health Center Renovation	Old Student Health Center Renovation, Phase I
<u>UT Pan American</u>	Campus Entrance Traffic Flow	Campus Entrance/Visitors' Center
	Education Complex Renovation	Education Complex Addition and Renovation
<u>UT San Antonio</u>	Engineering/Biotechnology Building, Phase III	Biotechnology, Sciences and Engineering Building
<u>UTSWMC Dallas</u>	Student Services Building	The Bryan Williams, M.D., Student Center
<u>UTHSC Houston</u>	Addition of Student Apartments/Expansion of Child Development Center	Expansion of Student Housing
	Buildout of the 9th floor of the Denton A. Cooley Building	Expansion of IMM Cardiovascular Research
	Mental Sciences Institute - Replacement Facility	Mental Sciences Institute - Replacement Facility, Phase I
	Indoor Air Quality at the Medical School	Renovations of the Medical School Building ongoing
<u>UTHSC San Antonio</u>	Laredo Campus Extension	D. D. Hachar Building
	Core Research Facility	Research Cores
	Center for Longevity and Aging Studies	Sam and Ann Barshop Center for Longevity and Aging Studies
<u>UTMDACC</u>	Basic Sciences Building Exhaust System - Phase I	Basic Research Building Exhaust System (Phases I & II)
	Basic Sciences Building Exhaust System - Phase II	(combined with above into one project)

**The University of Texas System
Fiscal Year 2002-2007 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	<u>Current Appropriations</u>	<u>Deleted or Reduced Appropriations</u>	<u>Additional Appropriations</u>	<u>Appropriations For Projects Initiated in the Capital Budget</u>	<u>Capital Budget Total Project Costs</u>
UT Arlington					
Brick Repairs - Pickard Hall and the College of Business Administration	13,068,800				13,068,800
Campus Asbestos Abatement	1,875,582				1,875,582
HVAC/IAQ Improvements - Life Science Animal Wing	2,620,000				2,620,000
Subtotal	<u>17,564,382</u>				<u>17,564,382</u>
UT Austin					
ADA Compliance Modifications and Improvements - Phase II	6,000,000	(1,500,000)			4,500,000
Benedict/Mezes/Batts Renovation - Phase I	6,000,000		26,000,000		32,000,000
Campus Fire and Life Safety Improvements - Phase I				14,000,000	14,000,000
Experimental Science Building Renovation Phase I	33,300,000	(32,550,000)			750,000
Hogg Auditorium Renovation	8,000,000				8,000,000
Old Student Health Center Renovation - Phase I	27,000,000	(9,991,000)			17,009,000
Pharmacy Building Renovation				250,000	250,000
Ransom Center Renovation	6,000,000		8,555,200		14,555,200
Stadium Fire and Life Safety				10,000,000	10,000,000
Texas Swim Center Renovation - Phase I	3,000,000				3,000,000
Texas Swim Center Renovation - Phase II				2,000,000	2,000,000
Subtotal	<u>89,300,000</u>	<u>(44,041,000)</u>	<u>34,555,200</u>	<u>26,250,000</u>	<u>106,064,200</u>
UT Dallas					
Founders/Founders Annex/Berkner Renovation				21,993,750	21,993,750
McDermott Library Renovation - Phase II	3,000,000				3,000,000
Subtotal	<u>3,000,000</u>			<u>21,993,750</u>	<u>24,993,750</u>
UT El Paso					
Sun Bowl Structural Repairs	2,850,000				2,850,000
Subtotal	<u>2,850,000</u>				<u>2,850,000</u>
UT Pan American					
Academic Annex Renovation				2,000,000	2,000,000
Administrative Offices Renovation	5,037,000				5,037,000
Math Building Renovation	2,880,000				2,880,000
Subtotal	<u>7,917,000</u>			<u>2,000,000</u>	<u>9,917,000</u>
UT Permian Basin					
Mesa Building Improvements/Gymnasium Renovations, Phase I				5,610,000	5,610,000

**The University of Texas System
Fiscal Year 2002-2007 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	<u>Current Appropriations</u>	<u>Deleted or Reduced Appropriations</u>	<u>Additional Appropriations</u>	<u>Appropriations For Projects Initiated in the Capital Budget</u>	<u>Capital Budget Total Project Costs</u>
Student Union	7,000,000	(5,600,000)			1,400,000
Subtotal	7,000,000	(5,600,000)		5,610,000	7,010,000
UT San Antonio					
Campus Equipment and Technology	3,800,000				3,800,000
Subtotal	3,800,000				3,800,000
UTSWMC Dallas					
Remodel Carey Basic Science Building				28,000,000	28,000,000
Remodel Jonsson Basic Science Research Building	2,400,000		2,000,000		4,400,000
St. Paul University Hospital Remodel				15,000,000	15,000,000
Subtotal	2,400,000		2,000,000	43,000,000	47,400,000
UTMB Galveston					
John Sealy Hospitals Complex Renovation	7,000,000				7,000,000
Keiler Building Research Support	3,000,000				3,000,000
Library Facilities Upgrade	7,900,000				7,900,000
Operating Suite Modifications	5,335,000				5,335,000
Rebecca Sealy Hospital Renovation	9,850,000				9,850,000
Research Facilities Expansion	48,000,000				48,000,000
Student Learning Center	8,292,000				8,292,000
TDCJ Hospital Cladding Restoration	6,560,000				6,560,000
TDCJ Hospital Fire Sprinklers	6,300,000				6,300,000
Utilities Systems Upgrade	12,700,000				12,700,000
Subtotal	114,937,000				114,937,000
UTHSC Houston					
Expansion of School of Health Information Sciences 2001-2002				3,000,000	3,000,000
Renovations of the Medical School Building	12,600,000	(2,600,000)			10,000,000
Subtotal	12,600,000	(2,600,000)		3,000,000	13,000,000

**The University of Texas System
Fiscal Year 2002-2007 Capital Budget
Repair and Rehabilitation Projects**

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	<u>Current Appropriations</u>	<u>Deleted or Reduced Appropriations</u>	<u>Additional Appropriations</u>	<u>Appropriations For Projects Initiated in the Capital Budget</u>	<u>Capital Budget Total Project Costs</u>
<u>UTHSC San Antonio</u>					
Central Energy Plant & Conservation Retrofits	6,772,000				6,772,000
Research Cores	9,000,000				9,000,000
Subtotal	15,772,000				15,772,000
<u>UTMDACC</u>					
American Disabilities Act Upgrades				6,000,000	6,000,000
Basic Research Building Exhaust System (Phases I & II)	4,200,000		300,000		4,500,000
Bone Marrow Transplantation Laboratory	4,100,000				4,100,000
Combined Backfill - Phase I, Stage I & II	23,588,000				23,588,000
Combined Backfill - Phase III				60,000,000	60,000,000
Combined Backfill Renovation - Phase II	28,700,000				28,700,000
Energy Management Projects				3,000,000	3,000,000
Life Safety/Fire Access/Pedestrian Traffic Improvements at Clark Entrance	3,500,000		3,500,000		7,000,000
Lutheran Pavilion Patient Tower Refurbishment	9,700,000				9,700,000
Physical Plant Shop and Storage Replacement				7,000,000	7,000,000
Research Lab Renovations	11,800,000		13,200,000		25,000,000
Roof Replacement Gimbel, Bates Freeman, Anderson Center, New Clark	4,000,000				4,000,000
Rotary House International Guest Services Buildout				3,000,000	3,000,000
Science Park Res. Div. Infrastructure Upgrades/Griffen Building Expansion	13,600,000				13,600,000
Telehealth Center				3,800,000	3,800,000
Subtotal	103,188,000		17,000,000	82,800,000	202,988,000
<u>UTHC Tyler</u>					
Ambulatory Care Center - Phase II				2,983,000	2,983,000
Completion Third Floor Shell Space in the Ambulatory Care Center	2,820,000		807,000		3,627,000
Electrical Distribution System Upgrade Phase III	2,370,000				2,370,000
Roof Replacement - Buildings A, B, C, and D	1,220,000				1,220,000
Subtotal	6,410,000		807,000	2,983,000	10,200,000
Totals	386,738,382	(52,241,000)	54,362,200	187,636,750	576,496,332

The University of Texas System
 Request for Appropriation of
 Revenue Financing System Debt
 for Repair and Rehabilitation Projects in the
 FY 2002-2003 Capital Budget

<u>Campus</u>	<u>Requested Appropriations for Projects</u>	<u>Total Project Costs</u>	<u>Amount of Revenue Bonds Requested</u>	<u>Maximum Annual Debt Service for Project</u>	<u>Campus Level Ratios</u>	
					<u>Debt Service Coverage</u>	<u>Range over period FY 2001-2006</u>
U.T. Austin	Erwin Center Renovations/Fire and Life Safety/ Basketball Practice Facility	\$10,000,000	\$10,000,000	\$871,846	1.64x - 1.96x	Debt Service as a % of Total Expenditures 4.4% - 4.8%

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the repair and rehabilitation cost at U. T. Austin and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 19th day of July, 2001

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

7. U. T. Board of Regents: Proposed Adoption of Tenth Supplemental Resolution to the Master Resolution Authorizing the Issuance 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 \$580,000,000; Authorization for Officers of U. T. System to Complete All Related Transactions; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Adopt the Tenth Supplemental Resolution to the Master Resolution substantially in the form before the Board of Regents, 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 \$580,000,000 maturing not later than August 15, 2032, to be used to refund 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 and to pay the costs of issuance and any original issue discount
- b. Authorize appropriate officers and employees of the U. T. System as set forth in the Tenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, including determining the method of sale and the selection of the underwriters, within the limitations and procedures specified therein; making certain covenants and agreements in connection therewith; and resolving other matters incident and related to the issuance, sale, security, and delivery of such bonds.

The Chancellor also concurs in 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 (the "Master Resolution") adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 59, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any costs incurred prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. The component 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. Board of Regents of tax-exempt Parity Debt
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

On February 14, 1991, the Board adopted a Master Resolution establishing the Revenue Financing System to create a cost-effective, System-wide financing structure to component institutions of the U. T. System. Since that time, the Board has adopted nine 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 Tenth Supplemental Resolution would authorize the issuance of Revenue Financing System Bonds in an aggregate principal amount not to exceed \$580,000,000 in one or more installments through August 31, 2002. In

addition to providing funding to projects included in the Fiscal Year 2002 Capital Budget, the \$580,000,000 includes an amount necessary to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. When construction is complete, the commercial paper is refunded with 20-year, fixed-rate bonds. With municipal long-term interest rates at relatively low levels, outstanding commercial paper and new money for construction are being financed with fixed-rate bonds.

The initial installment will be comprised of Revenue Financing System Bonds, Series 2001B and Series 2001C.

Proceeds from the Series 2001B Bonds are expected to be used to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A, in the amount of \$116,082,000 and to provide new money to fund project costs of approximately \$44,800,000. The remaining proceeds will be used to pay costs of issuance and provide for an original issue discount.

Proceeds from the Series 2001C Bonds are expected to be used to provide approximately \$88,303,000 of new money to fund Tuition Revenue Bond projects at specific U. T. System component institutions authorized by Sections 55.1722 and 55.1732 of the Texas Education Code.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution") adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 25th day of July, 2001

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

8. U. T. System: Request to Amend Section VIII of the Standard Bank Depository Agreement and to Delegate Editorial Authority

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the U. T. Board of Regents amend Section VIII of the Standard Bank Depository Agreement for the U. T. System as set out below in congressional style:

Section VIII. Delivery, Release and Substitution of Collateral

Written notice to the Board and the Custodian must be in the form as required by the Federal Reserve Bank holding the collateral [~~of a completed Securities and Exchange Commission Form 19-A (see "Request for Substitution of Non-U.S. Government or Agency Securities and or Immediate Withdrawal of any Securities Held by the Federal Reserve Bank of Dallas in Joint Safekeeping", Exhibit "C")~~]. . . .

It is further recommended that the Board delegate authority to make editorial changes to the Standard Bank Depository Agreement to the Office of Finance, with approval of the Office of General Counsel.

BACKGROUND INFORMATION

The Standard Bank Depository Agreement was amended on September 30, 1966, October 28, 1967, and October 11, 1991. In August 1999, the U. T. Board of Regents approved revisions to the Standard Bank Depository Agreement to include the use of surety bonds as collateral for bank deposits and to allow a decrease in the market value of collateral to be held against deposits from 103% to 102% of the value of the deposits.

The proposed amendment to Section VIII of the agreement is needed as the Federal Reserve Bank no longer requires the use of Securities and Exchange Commission Form 19-A.

Additionally, approval is requested to authorize future editorial changes to be made by the Office of Finance, with approval by the Office of General Counsel, as long as the latest copy of the Standard Bank Depository Agreement is kept on file as a standard Office of General Counsel contract. Substantive changes to the Standard Bank Depository Agreement are to be submitted to the Board for approval through the Docket.

9. U. T. System: Request to Approve an Aggregate Amount of Equipment Financing for Fiscal Year 2002 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve an aggregate amount of \$21,715,000 under the Revenue Financing System for equipment to be purchased in Fiscal Year 2002 as follows:

U. T. Arlington	\$2,500,000
U. T. Austin	\$4,100,000
U. T. El Paso	\$7,915,000
U. T. Southwestern Medical Center - Dallas	\$2,000,000
U. T. M. D. Anderson Cancer Center	\$5,000,000
U. T. System Administration	\$ 200,000

The Chancellor also concurs in 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 (the "Master Resolution") adopted by the U. T. Board of Regents

on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 64, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost prior to the issuance of such Parity Debt
- b. 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
- c. The component 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$21,715,000 for the purchase of equipment
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

At the April 14, 1994 meeting, the U. T. 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 \$21,715,000 for equipment financing for Fiscal Year 2002, of which \$5,843,000 represents the carryover of equipment authorized for purchase during FY 2001 by U. T. Austin and

U. T. El Paso for \$1,600,000 and \$4,243,000, respectively. Both components have purchased equipment that is not completely installed, and because payment is not due until installation is complete, payment will occur in FY 2002.

With the issuance of the equipment debt, the debt service coverage for the U. T. System is projected to range from 2.4 times to 3.0 times for the next six years (see Page 65). Any aggregate financing amount approved by the U. T. Board of Regents for a fiscal year, but not used, may not be carried forward. For Fiscal Year 2001, the Board approved \$21,430,000 of equipment financing, of which \$7,003,000 had been issued as of July 1, 2001.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution") adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance equipment costs at U. T. Arlington, U. T. Austin, U. T. El Paso, U. T. Southwestern Medical Center - Dallas, U. T. M. D. Anderson Cancer Center, and U. T. System Administration, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, Eighth Supplemental Resolution and Ninth Supplemental Resolution as amended.

EXECUTED this 26th day of July, 2001

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

**APPROVAL OF FINANCING FOR EQUIPMENT PROJECTS
FOR FY 2002
(\$ in millions)**

Requested Equipment Financing	Annual Debt Service on Equipment	Debt Service Coverage (times) FY 2001-FY 2006		Debt Service as a % of Budget FY 2001-FY 2006		Use of Funds:	Source of Repayment:	
		Min to Max	Min to Max	Min to Max	Min to Max			
Component:								
U. T. Arlington	2.500	0.613	1.6x	2.0x	5.1%	6.1%	Computers and grounds maintenance	Computing Fees, Designated Tuition
U. T. Austin	4.100	1.005	1.6x	2.0x	4.3%	4.8%	Academic and research purposes	Student Fees, Service Center Rates
U. T. El Paso	7.915	1.939	1.3x	2.2x	5.4%	7.4%	Computers, vehicle replacement,	Auxiliary Enterprise Fees, Designated
Total Academics	14.515	3.556					HVAC, boilers, and orchestra risers	Tuition, and Utility Assessments
U. T. Southwestern								
Medical Center	2.000	0.433	1.9x	2.7x	3.6%	5.2%	PET System and radiology equipment	Patient Care Income
U. T. M. D. Anderson	5.000	1.250	4.4x	13.5x	1.0%	3.7%	Various hospital equipment	Patient Care Income
Total Healths	7.000	1.683						
U. T. System								
Administration	0.200	0.050	n.a.	n.a.	0.2%	0.4%	Office equipment	AUF & Departmental Funds
Grand Total	\$21.715	\$5.289	2.4x	3.0x	2.7%	3.8%		

At the April 1994 meeting, the U.T. 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 with the debt amortization to match the useful life. The maximum amortization period is ten years.

For FY 2001, the Board approved \$21,430,000 of equipment financing, of which \$7,003,000 was issued, and \$5,843,000 is being requested as carryover for FY2002, \$1,600,000 by U. T. Austin and \$4,243,000 by U. T. El Paso.

10. U. T. System: Request for Approval to Exceed the Full-Time Equivalent Limitation on Employees Paid from Appropriated Funds as Required by the General Appropriations Act of the 77th Texas Legislature, Article IX, Section 6.14

RECOMMENDATION

The Chancellor concurs in the recommendation of the U. T. System Executive Officers and the presidents of certain U. T. System component institutions that the U. T. Board of Regents approve those institutions, as set forth in the table on Page 67, to exceed the number of full-time equivalent (FTE) employees that are authorized in the General Appropriations Act. Also, as required by Article IX, Section 6.14 of the General Appropriations Act, it is recommended that the U. T. 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.

BACKGROUND INFORMATION

The proposed request is in accordance with Article IX, Section 6.14 of Senate Bill 1 (General Appropriations Act) passed by the 77th Texas Legislature. This rider places a limit on the number of full-time equivalent (FTE) employees paid from Appropriated Funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. In order 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.

The University of Texas System
REQUEST TO EXCEED FULL-TIME EQUIVALENT LIMITATION
ON EMPLOYEES PAID FROM APPROPRIATED FUNDS
(Senate Bill No. 1, Article IX, Section 6.14)
Fiscal Year 2002

Component	S. B. 1 FTE Limitation	Estimated Average FTE FY2002	Requested Increase in Number of FTEs
U. T. System Administration	223.80	247.80	24.00
U. T. Arlington	1,921.50	1,982.58	61.08
U. T. Dallas	1,163.50	1,231.30	67.80
U. T. El Paso	1,510.60	1,664.89	154.29
U. T. Permian Basin	248.50	255.75	7.25
U. T. San Antonio	1,638.30	1,696.30	58.00
U. T. Tyler	353.30	393.30	40.00
U. T. Southwestern Medical Center - Dallas	1,669.50	1,731.30	61.80
U. T. M. D. Anderson Cancer Center	7,861.40	8,211.40	350.00

11. U. T. System: Request to Approve Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 2001

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and presidents of the U. T. System component institutions, recommends that the U. T. Board of Regents adopt the resolution which follows to provide for the most effective utilization of the General Revenue Appropriations during the biennium beginning September 1, 2001:

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 77th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Cost Centers) from the General Revenue Fund for each of the following entities 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. Board of Regents at the beginning of each biennium and is pursuant to Article III, Section 4(1) of the General Appropriations Act passed by the 77th Texas Legislature.

12. U. T. System: Proposed Amendments to the Regental Policy Regarding the Sick Leave Pool

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the Regental Policy relating to the sick leave pool be amended as set forth below in congressional style:

...

2. DEFINITIONS.

...

- 2.2 "Employee" means an eligible [a-regular] employee of a component institution of the U. T. System or the U. T. System Administration [as defined in the General Appropriations Act]. An eligible employee is defined as employed to work at least 20 hours per week for a period of at least four and one-half

months, and not employed in a position for which the employee is required to be a student as a condition of the employment.

- 2.3 "Immediate family" means an individual [those persons living in the same household with the employee who are either] related [to the employee] by kinship, adoption, or marriage who lives in the same household; a foster child of the employee who resides in the employee's household and is under the conservatorship of the Texas Department of Protective and Regulatory Services; and a minor child of the employee regardless of whether the child lives in the same household. Sick leave may be taken to care for members of an employee's family who do not reside in the [or are certified by the Texas Department of Human Services as foster children of the employee or, if not living in the] same household, only if the time taken is necessary to provide care to a spouse, child, or parent of the employee who needs care due to a documented medical condition. This provision for taking leave does not extend to an employee's parents-in-law if they do not live in the same household [are totally dependent upon the employee for personal care or services on a continuing basis].

...

3. POOL ADMINISTRATOR.

...

- 3.2 The decision of the pool administrator regarding ~~contributions to and~~ withdrawals from the sick leave pool shall be final.

4. SICK LEAVE POOL.

- 4.1 ~~[An employee who desires to contribute sick leave to the pool must submit an application to the pool administrator.~~
- 4.2] Contributions to the pool must be in units of eight (8) hours. State employees are permitted to contribute an unlimited number of hours to the sick leave pool. Retiring employees are also permitted to contribute to the sick leave pool and may do so in increments of less than eight (8) hours.

4.2[3] ~~The [Upon approval of an application, the]~~ pool administrator shall credit the sick leave pool with the sick leave contributed by an employee and shall direct the human resources office to deduct a corresponding amount from that employee's accrued sick leave.

4.3[4] Sick leave contributed to the pool may not be designated for the use of a particular person.

4.4[5] Although contributions are voluntary, employees who leave State [state] employment should be encouraged to contribute to the pool, unless there is a possibility that they will be reemployed by the State within twelve months and thereby eligible to have their sick leave balance restored.

5. WITHDRAWAL OF SICK LEAVE FROM THE POOL.

...

5.3 The employee may use sick leave assigned from the pool in the same manner as sick leave earned by the employee [accrued pursuant to the General Appropriations Act] and shall be treated for all purposes as if the employee were absent on earned sick leave [in the same manner and shall be entitled to accrue the same benefits as an employee who uses such accrued sick leave].

....

BACKGROUND INFORMATION

House Bill 569, 77th Texas Legislature, amends Section 661.003 of the Texas Government Code to delete application and approval requirements related to an employee's contributions of earned sick leave to the sick leave pool effective September 1, 2001. The proposed amendments to Sections 2 - 5 of the Sick Leave Pool Policy, approved by the Board of Regents in February 1996 and editorially amended in September 2000, conform the policy to changes in State law.

13. U. T. Board of Regents: Request to Change Trustee and Record Keeper for The University of Texas Governmental Retirement Arrangement Effective September 1, 2001, and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that the U. T. Board of Regents:

- a. Resign as trustee and record keeper of The University of Texas Governmental Retirement Arrangement (UTGRA) effective August 31, 2001
- b. Appoint the U. T. M. D. Anderson Cancer Center Physicians Referral Service Retirement Board (PRS Retirement Board) to serve as trustee and record keeper for UTGRA effective September 1, 2001
- c. Authorize the Executive Vice Chancellor for Business Affairs, or his delegate, to negotiate the appropriate agreements to carry out the foregoing actions, and to take all steps necessary and execute all documents required to complete the actions outlined above, subject to approval of all such documents as to legal form by the Office of General Counsel.

BACKGROUND INFORMATION

On August 14, 1997, the U. T. Board of Regents established UTGRA, effective October 1, 1997. UTGRA was created under Section 415(m) of the Internal Revenue Code of 1986, as amended, for governmental employees and allows eligible employees participating in the Optional Retirement Program to place

retirement contributions in excess of \$35,000 into a tax-deferred account. On June 19, 2001, the Internal Revenue Service issued a favorable Private Letter Ruling approving the structure of the UTGRA plan as a qualified governmental excess benefit arrangement.

The U. T. Board of Regents currently serves as the UTGRA trustee although it was the long-term intent that a trustee focused on retirement plans be appointed at a later time. The U. T. Board of Regents shall, at its discretion, authorize an external organization to provide trustee services and record keeping services for UTGRA. The U. T. M. D. Anderson Physicians Referral Service Retirement Board (PRS Retirement Board) is being recommended as trustee effective September 1, 2001.

The PRS Retirement Board members presently serve as trustees for two of the U. T. M. D. Anderson Cancer Center retirement programs, each of which is authorized under Section 457 of the Internal Revenue Code of 1986, as amended, to provide retirement benefits for the faculty and senior administrators of the institution. The PRS Retirement Board consists of two retirees and 10 active U. T. M. D. Anderson Cancer Center employees, with an attorney in an ex officio capacity.

The U. T. System Director of Human Resources currently serves as the UTGRA plan administrator and certain U. T. System Administration staff members provide administrative services for UTGRA. If the PRS Retirement Board is appointed as the trustee and record keeper, the U. T. System Director of Human Resources will remain the plan administrator and may utilize the services of the PRS Retirement Board to provide the necessary UTGRA administrative services.

There are numerous advantages to the proposed arrangements including the following:

- a. Because U. T. M. D. Anderson Cancer Center is a component institution of the U. T. System, the PRS Retirement Board is familiar with the U. T. System and the UTGRA program and the manner in which it is currently administered
- b. The PRS Retirement Board has experience serving as trustee of the two U. T. M. D. Anderson Cancer Center retirement plans, one a defined benefit plan and one a defined contribution plan
- c. The PRS Retirement Board has in place the hardware and software infrastructure and the appropriate level of staffing to perform the administrative responsibilities for UTGRA that

they currently provide to the two retirement plans, including maintenance of all participant records and plan reconciliation

- d. The PRS Retirement Board reports annually to the State Pension Review Board and is a member of the Texas Association of Public Employee Retirement Systems.

- 14. U. T. System Administration and U. T. Austin: Request for Approval to Amend Resolution Regarding the List of Individuals Authorized to Negotiate, Execute, and Administer Classified Government Contracts (Key Management Personnel)

RECOMMENDATION

The Chancellor recommends that the U. T. Board of Regents approve the amended resolution set out below updating the roster of administrative officials of the U. T. System authorized to negotiate, execute, and administer classified government contracts as shown in item a. and the list of named members of the U. T. Board of Regents as shown in item d.:

BE IT RESOLVED:

- a. That those persons occupying the following positions among the officers of The University of Texas System shall be known as Key Management Personnel as described in the Department of Defense National Industrial Security Program Operating Manual for safeguarding classified information:

R. D. Burck, Chancellor, Chief Executive Officer, U. T. System
Larry R. Faulkner, President, U. T. Austin
Juan M. Sanchez, Vice President for Research, U. T. Austin
G. Charles Franklin, Senior Vice President and Chief Financial Officer,
U. T. Austin
Wayne K. Kuenstler, Director, Office of Sponsored Projects,
U. T. Austin; U. T. System a.k.a. U. T. Austin Security Supervisor
Bobby C. McQuiston, Associate Director, Office of Sponsored
Projects, U. T. Austin

- b. That the said Key Management Personnel have been processed or will be processed for a personnel clearance for access to classified information, to the level of the facility clearance granted to the institution, as provided for in the aforementioned National Industrial Security Program Operating Manual, and all replacements for such positions will be similarly processed for security clearance.
- c. That the said Key Management Personnel are hereby delegated all of the Board's duties and responsibilities pertaining to the projection of classified contracts of the Department of Defense, or User Agencies of its Industrial Security Program, awarded to the institutions of The University of Texas System Administration or U. T. Austin.
- d. That the following named members of the U. T. Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of The University of Texas System and do not occupy positions that would enable them to affect adversely the policies and practices of the institutions of The University of Texas System in the performance of classified contracts for the Department of Defense, or User Agencies of its Industrial Security Program, and need not be processed for a personnel clearance:

Members of the U. T. Board of Regents:

Charles Miller, Chairman
Rita C. Clements, Vice-Chairman
A. W. "Dub" Riter, Jr., Vice-Chairman
Raul R. Romero, Vice-Chairman
Judith L. Craven, M.D.
Woody L. Hunt
Cyndi Taylor Krier
Patrick C. Oxford
A. R. (Tony) Sanchez, Jr.

BACKGROUND INFORMATION

The proposed resolution is needed to comply with the Department of Defense National Industrial Security Program Operating Manual requirements. Other than updating the members of the U. T. Board of Regents in item d. of the resolution and

including the Chancellor as a member of the Key Management Personnel in item a., the proposed resolution is identical to the one adopted by the U. T. Board of Regents in November 2000.

15. U. T. Health Science Center - San Antonio: Request for Authorization to Sell Approximately 80 Acres of Land Located in Universal City, Bexar County, Texas, and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Cigarroa that the U. T. Board of Regents authorize the U. T. System Real Estate Office and the Office of General Counsel, on behalf of U. T. Health Science Center - San Antonio, to negotiate the sale of approximately 80 acres of land located in Universal City, Bexar County, Texas, to the Alamo Community College District for the construction of a community college campus.

It is further recommended that the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The Alamo Community College District in Bexar County, Texas, is seeking to acquire land on which to build a new community college to serve the northeast portion of the County. One of the sites being considered is the subject property consisting of approximately 80 acres located in Universal City, Texas. It is bounded by Kitty Hawk Road on the west and Old Cimarron Trail on the north. The property is part of a bequest of 319 acres of land and financial assets from the late Mrs. Berneice Castella for the benefit of U. T. Health Science Center - San Antonio.

MATTERS RELATED TO THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY (UTIMCO)

1. U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 2001

REPORT

Pages 79 - 85 contain the Summary Reports on Investments for the fiscal quarter ended May 31, 2001. As of March 1, 2001, the Permanent Health Fund (PHF) and the Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF) in exchange for their contribution of investment assets. The PHF and the LTF owned 23.8% and 76.2%, respectively, of the GEF as of March 1, 2001. The GEF, established by the U. T. Board of Regents effective on March 1, 2001, is a pooled fund for the collective investment of long-term funds under the control and management of the Board. The GEF is organized as a mutual fund in which the PHF and LTF purchase and redeem units quarterly at the GEF's market value per unit. The GEF provides for greater efficiencies and cost savings than was possible when the investments of the PHF and LTF were managed separately.

Item I on Pages 79 - 80 reports summary activity for the Permanent University Fund (PUF) investments and a comparison of the asset allocation of the PUF versus the endowment neutral policy portfolio and net investment return. Total net investment return for the quarter was .37% versus the neutral policy portfolio return of 1.17%.

Item II on Pages 81 - 83 reports summary activity for the GEF, the PHF's and LTF's percentage ownership of the GEF, and a comparison of the asset allocation of the GEF versus the endowment neutral policy portfolio and net investment return. Total GEF net investment return for the quarter was .62% versus the neutral policy portfolio return of 1.17%.

Item III on Page 84 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.49% for the quarter versus the SITF's performance benchmark of 1.49%.

Item IV on Page 85 presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$12 million to \$955 million during the third quarter. Asset values for the remaining asset classes were fixed income securities: \$111 million versus \$107 million at previous quarter-end; equities: \$181 million versus \$114 million at previous quarter-end; and other investments of \$7 million versus \$1 million at previous quarter-end.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at May 31, 2001 (2)

(\$ millions)

	FY99-00	FY00-01			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	7,465.6	8,452.3	7,652.6	7,686.9	8,452.3
PUF Lands Receipts (3)	83.1	30.5	27.6	35.2	93.3
Investment Return	1,215.1	(508.2)	9.7	32.8	(465.7)
Expenses	(13.9)	(4.9)	(3.0)	(5.3)	(13.2)
Distributions to AUF	(297.6)	(317.1)	-	-	(317.1)
Ending Net Assets	<u>8,452.3</u>	<u>7,652.6</u>	<u>7,686.9</u>	<u>7,749.6</u>	<u>7,749.6</u>
AUF Distribution:					
From PUF Investments	297.6	317.1	-	-	317.1
From Surface Income	6.0	1.1	2.3	2.1	5.5
Total	<u>303.6</u>	<u>318.2</u>	<u>2.3</u>	<u>2.1</u>	<u>322.6</u>

(1) Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2000 values of \$877.9 million and \$156.4 million, respectively.

(3) PUF Land Receipts - As of May 31, 2001: 1,226,122 acres under lease; 519,996 producing acres; 3,269 active leases and 2,063 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the quarter ended May 31, 2001

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio (1) (Benchmark Returns)	Benchmark
Cash	4.7%	0.0%	1.15%	1.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:					
Large/Medium Capitalization Equities	23.0%	25.0%	3.21%	1.62%	Standard & Poor's 500 Index
Small Capitalization Equities	10.3%	7.5%	4.73%	5.07%	Russell 2000 Index
Total Domestic Common Stocks	33.3%	32.5%			
International Common Stocks:					
Established Markets	11.5%	12.0%	-3.92%	-3.70%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	3.2%	3.0%	-2.26%	-5.29%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	14.7%	15.0%			
Inflation Hedging	4.0%	7.5%	4.62%	1.48%	33% (Goldman Sachs Commodity Index - 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:					
Domestic	17.1%	15.0%	0.48%	0.69%	Lehman Brothers Aggregate
International	2.0%	5.0%	-4.52%	-4.57%	Salomon Non-U.S. World Government Index, Unhedged
Total Fixed Income	19.1%	20.0%			
Total Public Securities	75.8%	75.0%	1.17%	0.30%	
Alternative Equities:					
Marketable	9.4%	10.0%	3.29%	3.07%	90 Day T-Bills + 7%
Nonmarketable	14.8%	15.0%	-4.80%	4.00%	17%
Total Alternative Equities	24.2%	25.0%	-1.84%	3.63%	
Total	100.0%	100.0%	0.37%	1.17%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted benchmark return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1)(2)

a.) Summary Investment Report at May 31, 2001

(\$ millions)
Inception date of March 1, 2001

	FY00-01			
	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	-	-	-	-
Net Contributions	-	-	3,860.6	3,860.6
Investment Return	-	-	25.3	25.3
Expenses	-	-	(1.6)	(1.6)
Distributions (3)	-	-	(22.1)	(22.1)
Ending Net Assets	-	-	3,862.2	3,862.2
 Net Asset Value per Unit			 100.612	
 Units and Percentage Ownership (End of Period):				
PHF			9,117,735	23.8%
LTF			29,268,993	76.2%
Total			38,386,728	100.0%

(1) Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF distributes its net investment income and realized gain (loss) to its unitholders based on their ownership of GEF units at month end. The distributed amounts are reinvested as GEF contributions. The distribution is proportional to the percentage of ownership by the unitholders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unitholders' Summary Investment Report at May 31, 2001 (1)

(\$ millions)

	FY99-00	FY00-01			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
PERMANENT HEALTH FUND					
Beginning Net Assets	890.3	1,016.6	925.1	922.5	1,016.6
Contributions	25.0	-	-	-	-
Investment Return	143.8	(80.2)	8.0	5.6	(66.6)
Expenses	(1.9)	(0.8)	(0.1)	(0.1)	(1.0)
Distributions (Payout)	(40.6)	(10.5)	(10.5)	(10.5)	(31.5)
Ending Net Assets	1,016.6	925.1	922.5	917.5	917.5
Net Asset Value per Unit (2)	1.112525	1.012448	1.009531	1.004086	1.004086
No. of Units (End of Period)	913,765,506	913,765,506	913,765,506	913,765,506	913,765,506
Distribution Rate per Unit	0.0450	0.0115	0.0115	0.0115	0.0345
LONG TERM FUND					
Beginning Net Assets	2,602.3	3,136.2	2,921.0	2,918.1	3,136.2
Net Contributions (3)	109.7	25.9	32.8	34.1	92.8
Investment Return	547.1	(208.7)	(3.2)	18.2	(193.7)
Expenses (3)	(7.7)	(1.2)	(0.8)	(0.2)	(2.2)
Distributions (Payout)	(115.2)	(31.2)	(31.7)	(32.0)	(94.9)
Ending Net Assets	3,136.2	2,921.0	2,918.1	2,938.2	2,938.2
Net Asset Value per Unit (2)	6.198	5.726	5.657	5.630	5.630
No. of Units (End of Period)	506,024,547	510,164,819	515,880,951	521,900,910	521,900,910
Distribution Rate per Unit	0.23000	0.06125	0.06125	0.06125	0.18375

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long term funds of UT System components.

(2) The asset allocation of the PHF and LTF, beginning in the 3rd fiscal quarter of FY00-01, is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

(3) Restatements - The Investment Summary Report was restated to a presentation which is consistent with the reporting of other endowment funds managed by UTIMCO.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the quarter ended May 31, 2001

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio (1) (Benchmark Returns)	Benchmark
Cash	2.4%	0.0%	1.37%	1.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:					
Large/Medium Capitalization Equities	25.9%	25.0%	2.72%	1.62%	Standard & Poor's 500 Index
Small Capitalization Equities	10.6%	7.5%	4.99%	5.07%	Russell 2000 Index
Total Domestic Common Stocks	36.5%	32.5%			
International Common Stocks:					
Established Markets	12.4%	12.0%	-3.84%	-3.70%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	3.4%	3.0%	-2.23%	-5.29%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	15.8%	15.0%			
Inflation Hedging	4.2%	7.5%	4.62%	1.48%	33% (Goldman Sachs Commodity Index - 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:					
Domestic	17.7%	15.0%	0.69%	0.69%	Lehman Brothers Aggregate
International	2.3%	5.0%	-4.46%	-4.57%	Salomon Non-U.S. World Government Index, Unhedged
Total Fixed Income	20.0%	20.0%			
Total Public Securities	78.9%	75.0%	1.13%	0.30%	
Alternative Equities:					
Marketable	10.6%	10.0%	3.26%	3.07%	90 Day T-Bills + 7%
Nonmarketable	10.5%	15.0%	-5.05%	4.00%	17%
Total Alternative Equities	21.1%	25.0%	-1.08%	3.63%	
Total	100.0%	100.0%	0.62%	1.17%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted benchmark return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at May 31, 2001

(\$ millions)

	FY99-00	FY00-01			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	1,769.4	1,844.4	1,852.4	1,909.3	1,844.4
Contributions (Net of Withdrawals)	81.6	(11.7)	28.6	(69.1)	(52.2)
Investment Return	107.9	48.4	56.4	28.0	132.8
Expenses	(0.5)	(0.1)	(0.1)	(0.2)	(0.4)
Distributions of Income	(114.0)	(28.6)	(28.0)	(26.1)	(82.7)
Ending Net Assets	1,844.4	1,852.4	1,909.3	1,841.9	1,841.9
Net Asset Value per Unit	9.858	9.963	10.114	10.123	
No. of Units (End of Period)	187,089,202	185,934,780	188,785,844	181,957,872	
Total Net Investment Return				1.49%	

(1) Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2001

**SEPARATELY INVESTED ASSETS
SUMMARY REPORT
(\$ thousands)**

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:														
Beginning value 3/1/01	4,145	4,145	3,281	3,281	43,049	43,049	437	437	69	69	891,952	891,952	942,933	942,933
Increase/(Decrease)	10,060	10,060	(1,782)	(1,782)	(14,349)	(14,349)	(242)	(242)	-	-	18,062	18,062	11,749	11,749
Ending value 5/31/01	14,205	14,205	1,499	1,499	28,700	28,700	195	195	69	69	910,014	910,014	954,682	954,682
Debt Securities:														
Beginning value 3/1/01	-	-	17	16	52,248	51,666	15,474	16,261	-	-	36,506	39,092	104,245	107,035
Increase/(Decrease)	-	-	(10)	(10)	141	(323)	(860)	(1,100)	-	-	5,000	5,321	4,271	3,888
Ending value 5/31/01	-	-	7	6	52,389	51,343	14,614	15,161	-	-	41,506	44,413	108,516	110,923
Equity Securities:														
Beginning value 3/1/01	42	5,239	2,755	2,779	29,114	38,537	18,761	16,637	-	-	77,812	50,466	128,484	113,658
Increase/(Decrease)	(2)	7,335	(340)	(290)	(56)	533	1,018	1,169	-	-	57,750	58,942	58,370	67,689
Ending value 5/31/01	40	12,574	2,415	2,489	29,058	39,070	19,779	17,806	-	-	135,562	109,408	186,854	181,347
Other:														
Beginning value 3/1/01	-	-	42	42	581	581	82	16	-	-	-	-	705	639
Increase/(Decrease)	-	-	6,669	6,669	2	2	11	-	-	-	-	-	6,682	6,671
Ending value 5/31/01	-	-	6,711	6,711	583	583	93	16	-	-	-	-	7,387	7,310

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

Details of individual assets by account furnished upon request.

2. U. T. System: Request to Amend the Fund Distributions Section of the Permanent University Fund (PUF) Investment Policy Statement

RECOMMENDATION

The Finance and Planning Committee recommends that the U. T. Board of Regents amend the Fund Distributions section of the Permanent University Fund (PUF) Investment Policy Statement as set out in congressional style on Pages 87 - 88, to reflect an increase in the distribution rate from 4.5% to 4.75% effective for the fiscal year beginning September 1, 2002.

BACKGROUND INFORMATION

The U. T. Board of Regents approved the Investment Policy Statement for the Permanent University Fund (PUF) at its November 11, 1999 meeting. The Investment Policy Statement was then amended at the February 9, 2000 meeting to set the annual distribution to the Available University Fund (AUF) at an amount equal to 4.5% of the trailing twelve quarter average of the net asset value of the PUF for the quarter ending February of each year. On May 10, 2001, the U. T. Board of Regents approved a distribution amount for September 1, 2001 of \$338,433,636 based on a 4.5% distribution rate. The distribution amount is determined in advance of the succeeding fiscal year for budget planning purposes.

At the July 10, 2001 meeting of the U. T. Board of Regents' Finance and Planning Committee, the adequacy of the distribution rate was discussed. The Committee's discussion included consideration of the significant needs currently facing the U. T. System versus the impact on the future market value of the PUF as a result of increasing the current distribution rate. Based on this discussion, the Finance and Planning Committee is recommending an increase in the distribution rate to 4.75% to be effective for the fiscal year beginning September 1, 2002.

**THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT**

Fund Distributions

The Fund shall balance the needs and interests of present beneficiaries with those of the future. Fund spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time
- B. ensure that the inflation adjusted value of distributions is maintained over the long-term
- C. ensure that the inflation adjusted value of Fund assets after distributions is maintained over the long-term.

The goal is for the Fund's average spending rate over time not to exceed the Fund's average annual investment return after inflation and expenses in order to preserve the purchasing power of Fund distributions and underlying assets.

The Texas Constitution states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund."

Annually, the U. T. Board of Regents will approve a distribution amount to the AUF.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the U. T. Board in May of each year an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% [~~4.50%~~] of the trailing twelve quarter average of the net asset value of the Fund for the quarter ending February of each year.

Following approval of the distribution amount, distributions from the Fund to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

The effective date of this policy shall be September 1, 2001 [~~February 9, 2000~~].

3. U. T. Board of Regents: Request for Approval of the Annual Budget and Management Fee Schedule for The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the Annual Budget and Management Fee Schedule for the fiscal year ending August 31, 2002, as set forth on Page 90.

BACKGROUND INFORMATION

The Investment Management Services Agreement by and between the U. T. Board of Regents and UTIMCO requires that UTIMCO submit its annual budget and management fee schedule to the U. T. Board of Regents for approval. The annual budget consists of UTIMCO's management fee and a budget for direct expenses of the funds managed by UTIMCO. The management fee for the fiscal year ending August 31, 2002, will increase 2.0% from \$6,569,921 to \$6,698,276. Budgeted direct expenses will increase 3.4% from \$24,429,795 to \$25,270,571. The UTIMCO Board of Directors approved the proposed budget and management fee on June 26, 2001.

UTIMCO Budget (\$)
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2002

	The Permanent University Fund (PUF)	The Permanent Health Fund (PHF)	The University of Texas System Long Term Fund (LTF)	General Endowment Fund (GEF)	The University of Texas System Short Intermediate Term Fund (SITF)	Short Term Fund (STF)	Separately Invested Endowments and Charitable Trust Accounts	Total
UTIMCO Management Fee (1) (includes all operating expenses associated with the general management of the Funds)	3,274,506	558,026	2,285,475		580,269			6,698,276
Direct Expenses of the Fund:								
External Management Fees	8,474,148			4,314,168				12,788,316
External Management Fees-Performance	4,619,509			2,780,603				7,400,112
Other Direct Costs	2,717,816	17,593	58,385	2,151,907	131,442		5,000	5,082,143
Total Direct Expenses of the Fund	15,811,473	17,593	58,385	9,246,678	131,442		5,000	25,270,571
TOTAL UTIMCO Budget for the fiscal year ending August 31, 2002	19,085,979	575,619	2,343,860	9,246,678	711,711		5,000	31,968,847
Market Value of Funds Managed by UTIMCO as of 2/28/01 (\$ millions)	7,686.9	922.5	2,918.1	3840.6 (3)	1,909.3	892.0 (2)	272.4	14,601.2
Percentage of Market Value								
UTIMCO Services	0.043%	0.060%	0.078%	0.000%	0.030%	0.000%	0.000%	0.046%
Direct Expenses of the Fund	0.206%	0.002%	0.002%	0.241%	0.007%	0.000%	0.002%	0.173%
TOTAL	0.248%	0.062%	0.080%	0.241%	0.037%	0.000%	0.002%	0.219%

(1) Allocation Ratio: PUF-49%,PHF-8%,LTF-34%,SITF-9%

(2) Interest Income is net of fees and is not budgeted

(3) Pooled fund for the collective investment of the PHF and LTF

4. U. T. Board of Regents: Proposed Reappointment of Member to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the following individual be reappointed to the UTIMCO Board of Directors to serve until the expiration of his term, or until his successor is chosen and qualifies, or until his earlier resignation or removal:

Mr. J. Luther King, Jr., Fort Worth, Texas, for reappointment to a term ending April 1, 2004.

BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents appoint all members of the Board of Directors of The University of Texas Investment Management Company (UTIMCO). The proposed nominee above represents a non-U. T. Regent director from the investment and business community. The nominee was approved by the UTIMCO Board of Directors on April 24, 2001.

Mr. J. Luther King, Jr., has been a UTIMCO director since 1997 and was a member of the U. T. System Investment Advisory Committee from 1991 to 1995. He is President and Founder of Luther King Capital Management, a Certified Investment Counselor, and manages approximately \$4.5 billion for over 300 clients. Mr. King is a Chartered Financial Analyst, member of the Advisory Committee to the Texas MBA Investment Fund, Trustee and member of the Executive Committee at Texas Christian University, Treasurer and Board member of the Texas Southwestern Cattle Raisers Foundation, and Chairman of Board of Governors of the Investment Counsel Association of America. He is also a former member of the Advisory Committee to the State Treasurer of Texas, and current and former Board member of numerous civic, professional, and corporate entities.

INFORMATIONAL REPORTS

1. U. T. System: Discussion of the June 2001 Monthly Financial Report

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will discuss the June 2001 Monthly Financial Report for the U. T. System.

2. U. T. System: Report on Strategic Planning

REPORT

Mr. Vance McMahan, strategic planning consultant with TVM Consulting, Austin, Texas, will report on the long-range plan for the U. T. System.

3. U. T. System: Status Report on the Technology Transfer Commission

REPORT

Dr. Dennis K. Stone, Chairman of the U. T. System Technology Transfer Commission and Vice President, Office for Technology Development at U. T. Southwestern Medical Center - Dallas, will report on the status of the work of the Commission.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE
Committee Chairman Krier

Date: August 9, 2001

Time: Following the Meeting of the Finance and Planning Committee

Place: Bluebonnet Ballroom South, E.H. Hereford University Center,
U. T. Arlington

	<u>Page</u>
1. U. T. System: Request for Authorization to Set Aside 1% of Law School Resident Student Tuition for Certain Loan Repayments to be Effective September 1, 2001	94
2. U. T. Austin: Request for Approval of Action Related to an Agreement with the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to Support a Joint Initiative to Create the National Center on Educational Accountability	94

1. U. T. System: Request for Authorization to Set Aside 1% of Law School Resident Student Tuition for Certain Loan Repayments to be Effective September 1, 2001

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that the U. T. Board of Regents authorize U. T. Austin to set aside 1% of tuition charges for resident law students effective September 1, 2001.

BACKGROUND INFORMATION

The 77th Texas Legislature enacted Texas Education Code Section 61.961 which requires the governing board of public universities to set aside 1% of tuition charges for resident law students. The tuition set-aside is to be transferred to the Texas Comptroller of Public Accounts for the purpose of repayment of certain education loans owed by certain State attorneys. To qualify for loan repayment, an attorney must enter into a written contract to serve as an attorney in the Office of the Attorney General of Texas for a period of no less than three years. For FY 2002, the tuition set-aside will be approximately \$55,000 (tuition only). If the Comptroller determines designated tuition is also included, the total set-aside will be \$69,000.

2. U. T. Austin: Request for Approval of Action Related to an Agreement with the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to Support a Joint Initiative to Create the National Center on Educational Accountability

RECOMMENDATION

U. T. Austin is currently in negotiations with the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to support a joint initiative to create the National Center on Educational Accountability. It is anticipated that a recommendation related to the Center will be ready for review in advance of the August 2001 meeting of the U. T. Board of Regents.

ACADEMIC AFFAIRS COMMITTEE

SUPPLEMENTAL MATERIAL

AUGUST 9, 2001

2. U. T. Austin: Request for Approval of Action Related to Participation Among U. T. Austin, the Education Commission of the States, Denver, Colorado, and Just for the Kids, Inc., Austin, Texas, to Support Research, Educational, and Policy Development Activities in a New Joint Initiative, the National Center for Educational Accountability

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Faulkner that the U. T. Board of Regents approve the participation by U. T. Austin, as outlined below, in activities of the National Center for Educational Accountability (NCEA), a Texas nonprofit corporation that is organized and operated for the benefit of The University of Texas at Austin, The Education Commission of the States (ECS), and Just for the Kids, Inc. (JFTK). The ECS and JFTK are nonprofit organizations that serve public purposes related to educational and research activities of U. T. Austin. The NCEA, U. T. Austin, ECS, and, JFTK are committed to the improvement of schools throughout the United States and will pursue an educational and research agenda to benefit our nation's educational systems. The NCEA will raise the funding needed, supplementary to some basic infrastructure and administrative support committed by U. T. Austin, for the identification and development of research with respect to educational practices in State and local educational accountability systems and the translation of such research into policy models and resources to improve schools and educational activities.

It is further recommended that President Faulkner or his delegate be authorized to negotiate, approve, and execute any contracts, as approved by the Office of General Counsel, and to take all such actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendation consistent with the representations made below and to the U. T. Board of Regents.

BACKGROUND INFORMATION

U. T. Austin, JFTK, and ECS have a mutual interest in the creation of a centralized research and policy center focused on educational accountability and performance management. The parties set out their intent to establish this entity on March 14, 2001 by entering into the Memorandum of Understanding set out on Pages 94d - 94g. The parties will work jointly and with the NCEA to capture critical information on educational accountability and performance management in a systematic fashion that will influence State and federal policy, serve as a resource for policymakers and practitioners, and address unmet research needs.

It is anticipated that Articles of Incorporation will be filed in August 2001 to establish the National Center for Educational Accountability (NCEA) under the Texas Non-Profit Corporation Act. The initial Board of Directors consists of Thomas W. Luce, Chairman; Larry R. Faulkner, Vice Chairman; and Ted Sanders, Secretary. The NCEA shall function as a support foundation for U. T. Austin, JFTK, and ECS. The NCEA will work with U. T. Austin, JFTK, and ECS to focus work on identifying best practices in State and local educational accountability systems, developing research on best practices, and translating the research into cutting-edge policy models and resources available to leaders for implementation and to raise funds to support these efforts.

The full NCEA Board will consist of fifteen (15) members. The President of the Education Commission of the States, the President of The University of Texas at Austin, and the Chairman of the Board of Just for the Kids, Inc. will serve *ex officio* on the Center's board. In addition, each organization will name one designee to the board. The remaining nine members will be selected initially by the three organizations (three per organization) and will be self-perpetuating. Tom Luce, Chairman of the Board of JFTK, will serve as first chair of the NCEA board.

The NCEA, as a support foundation for the benefit of U. T. Austin and other related public purposes, will be housed at U. T. Austin under a lease arrangement. It will operate in space shared by the U. T. Austin Center for Educational Accountability, the U. T. Austin unit that will carry out efforts contemplated by the NCEA and the parties. These units will be located adjacent to the U. T. Austin J.J. Pickle Research Campus in north Austin. The initial year of operation will be the 2001 – 2002 fiscal year. The estimated operating budget for 2001 – 2002 is \$2,565,650. Of this budget, \$1,706,391 will be provided by JFTK and U. T. Austin will provide the remaining \$859,259. In future years, U. T. Austin intends to fund four (4) positions to support the effort with additional funding to be raised by the NCEA and the parties. The parties agree that first priority for future funding raised through the auspices of the NCEA will be to provide compensation for the core group of fourteen (14) positions that will transfer from JFTK to the U. T. Austin Center for Educational Accountability.

U. T. Austin will recruit and appoint the chief executive officer of the U. T. Austin Center for Educational Accountability. That appointment will be subject to review and acceptance by the NCEA Board since the appointee will be working in support of the efforts of the NCEA.

U. T. Austin will enter into a contract or contracts with the NCEA to provide space, utilities, custodial and waste services, and administrative support services. The NCEA will pay fair value. The NCEA also will reimburse U. T. Austin for the compensation of U. T. Austin employees who may provide direct services for the NCEA as a foundation in support of U. T. Austin and other related public purposes.

JFTK will enter into a contract or contracts with the NCEA to provide funding for the 2001 – 2002 annual operating budget as listed above and other assets that will be dedicated to the efforts of the NCEA and the parties, including computer equipment and software, all existing databases, the model for development of the databases, and related intellectual property and know-how.

The NCEA, U. T. Austin, JFTK, and ECS all shall have full access to and use of the databases and other information developed to date and those that will be developed during the course of the joint efforts of the NCEA and the parties. Should the NCEA dissolve in the future, U. T. Austin, JFTK, and ECS shall continue to have full rights of access to and use of the databases and other information.

U. T. Austin, JFTK, and ECS each may currently own rights to intellectual property that is needed for the work contemplated by the NCEA and the parties. Each will license on a nonexclusive basis the use of such intellectual property to the NCEA and to the other parties. Each also will license on a nonexclusive basis to the NCEA and the other parties the use of intellectual property developed either individually or jointly during work carried out as part of the efforts that the parties will pursue through their relationships with each other and the NCEA. Should the NCEA dissolve in the future, U. T. Austin, JFTK, and ECS shall continue to have full nonexclusive license rights to all such intellectual property.

MEMORANDUM OF UNDERSTANDING

Among
The Education Commission of the States,
Just for the Kids, Inc. and
The University of Texas at Austin

March 14, 2001

In December 2000, the chief executives of the Education Commission of the States (ECS), Just for the Kids, Inc. (JTFK), and The University of Texas at Austin (UT) met to discuss the need to systematically capture critical information on educational accountability and performance management that would influence state and federal policy, serve as a resource for policymakers and practitioners, and address unmet research needs. Building upon initial efforts by ECS to develop a policy center focused on accountability issues, the parties agreed to support a joint initiative to create the National Center on Educational Accountability (NCEA). This memorandum reflects their agreement, in principle, to create such a Center. The nature of the agreement is captured in the following points:

1. ECS, JTFK and UT have a mutual interest in establishing a centralized research and policy center focused on educational accountability and performance management.

ECS is a nonprofit organization created for the purpose of helping state leaders to develop and implement educational policies. ECS seeks to develop its capacity to provide state leaders with research-based information on successful accountability and performance management policies and practices. ECS would contribute the following general assets to the partnership: (a) its national reputation for balanced presentation of research results; (b) its distribution network for policy information to policymakers and practitioners; (c) its growing presence as an Internet portal for education policy; and (d) its capacity to engage policymakers in innovations in education policy and practice.

JTFK is a non-profit organization established for the purpose of advancing educational accountability and uncovering best educational practices at the school level in Texas and other states. JTFK would contribute the following general assets to the partnership: (a) its reputation for assembling comprehensive, comparative, privacy-protected data from assessment programs adopted by individual states; (b) its interest in institutionalizing such data for the benefit of policymakers, administrators, and researchers; (c) its approach to the identification and promotion of best practices in schools with demonstrably strong student achievement.

UT is a public institution of higher education serving the State of Texas. Given its leadership role in the higher education community, UT seeks to identify and support the implementation of high-leverage approaches to improved public education. UT would contribute these general assets to the partnership: (a) its reputation as one of the world's leading centers of education, research, and public service; (b) its ability to connect the partnership to its own large community of scholars working on educational policy and to the much larger national community beyond UT; (c) its physical campus, which can provide a prominent, accessible location for NCEA.

2. The National Center on Educational Accountability will focus its work on identifying best practices in state and local educational accountability systems, developing research on best practices, and translating the research into cutting-edge policy models and resources available to state leaders for implementation.

Building upon JFTK's ongoing efforts to develop reliable data on all aspects of school performance while maintaining privacy protection, the NCEA will create a research agenda focused on policies and practices that enhance student achievement. The research will focus on different strategies, taking into account the current best thinking on accountability, and will extend the current state-of-the-art into new, more coherent, and integrated models. The coherence will come from identifying the essential policy components, such as assessment design, approach to curriculum and instruction, the specificity and selection of content standards, needed staff training, use of technology, and how performance will be judged, reported and consequences applied.

3. ECS, JFTK and UT will collaborate to establish the NCEA as a separate legal entity affiliated with and benefiting from the support of each of the individual organizations.

The National Center will be incorporated as a non-profit organization for educational purposes and operate as a joint venture among the parties. The Center's governing board will consist of 15 members. The President of the Education Commission of the States, the President of The University of Texas at Austin, and the Chairman of the Board of Just for the Kids, Inc. will serve *ex officio* on the Center's board. In addition, each organization will name one designee to the board. The remaining nine members will be selected initially by the three organizations (three per organization) and will be self-perpetuating. Tom Luce, Chairman of the Board of Just for the Kids, will serve as first chair of the governing board.

4. The National Center will be housed at the University of Texas-Austin, but will host researchers interested in relevant topics from major institutions of higher education, educational agencies, foundations, and other organizations across the country.

The researchers participating in this consortium would develop the findings about "what works" to support effective instruction in the classroom and school improvement. Field research would focus on identifying best policies and practices at the school and district level and effective state policy by looking at schools, districts, and states with higher than predicted levels of student achievement. Over time, the center would identify steps in the implementation and change process.

5. ECS, JFTK and UT each will contribute resources, either directly or in-kind, to launch the National Center.

Based on preliminary discussions, the parties agree to the following:

- ECS will seek financial support from foundations and other parties to support the operation of the Center and will also support the Center's efforts to inform and engage state policymakers.
- JFTK will provide the Center with all know-how, processes, software, data, models, methodologies, trademarks and other intellectual property related to its assessment tool and techniques. JFTK will also provide technical expertise in adapting and enhancing the tool and techniques for use by the Center and will support the Center in promoting the use and adaptation of the tool and techniques by others to the extent of its financial resources. In addition JFTK will transfer to the Center its current arrangements with the states of Minnesota, Arkansas, Tennessee, Georgia, Florida and Washington to design a JFTK assessment system for such states.
- UT will provide space for the core activities of the Center, including (a) office space for the executive director, an administrative aide, secretary, and network administrator; (b) meeting space needed for routine needs; and (c) additional space sufficient to host existing personnel and operations of JFTK. UT will also contribute financial resources, including salaries and benefits of an executive director, administrative aide, secretary, and a network administrator, plus an operational budget needed to sustain the activities of these four staff members and the space assigned to them. It is understood that UT would need to cast these commitments in a form compatible with its obligations under the laws of the State of Texas and the *Regents' Rules* and in a form that is practical to administer from year to year. UT would assist NCEA in securing additional staff and space for expanded programs, but NCEA would generally be expected to cover the salaries and operating costs

from the funding that it raises to support those programs. To the extent feasible under the laws of the State of Texas, the *Regents' Rules*, and the legal agreements and governing principles defining the Center, UT also will offer (1) all employees of the Center the benefits, privileges, and employment provisions normally available to UT employees, (2) the right of the Center to operate essentially as an Organized Research Unit at UT Austin, having the ability to submit proposals through UT's supporting offices and the ability to recover indirect costs on grants using UT's negotiated basis. The Center and UT would need to negotiate principles for sharing indirect costs recovered by this mechanism. In addition, UT will explore the feasibility of receiving gifts and managing endowments on behalf of NCEA.

6. The intent of the ECS, JFTK and UT to jointly establish the National Center is conditioned upon express consent of each organization's respective governing bodies. The parties agree to present a proposal to their respective governing boards for approval no later than May 1, 2001.

Based upon the mutual understanding of the parties herein, ECS, JFTK and UT agree to designate representatives from each organization by March 20, 2001 to begin to negotiate the specific terms and conditions for the establishment of the National Center on Educational Accountability.

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE
Committee Chairman Oxford

Date: August 9, 2001

Time: Following the Meeting of the Academic Affairs Committee

Place: Bluebonnet Ballroom South, E.H. Hereford University Center,
U. T. Arlington

	<u>Page</u>
1. U. T. Health Science Center - Houston: Request for Authorization to Establish a Bachelor of Science Degree in Dental Hygiene and to Amend the U. T. Board of Regents' Table of Programs; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met Except for Previous Approval of Planning Authority	97
2. U. T. Health Science Center - Houston: Request for Authorization to Establish a Master of Science Degree in Clinical Research and to Amend the U. T. Board of Regents' Table of Programs; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met Except for Previous Approval of Planning Authority	100
3. U. T. Health Science Center - Houston: Request for Authorization to Purchase Real Property Located at 3028 South MacGregor Way, Houston, Harris County, Texas; Authorization to Submit a Request to the Coordinating Board for Approval of the Transaction; and Authorization to Execute All Documents Related Thereto	103

- | | | |
|----|---|-----|
| 4. | U. T. Health Science Center - San Antonio: Request for Approval for Expanded Degree Authority in the Radiation Biology Doctoral Program in Radiological Sciences and Approval to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change) | 104 |
| 5. | U. T. M. D. Anderson Cancer Center: Request for Authorization to Establish a School of Health Sciences and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change) | 105 |
| 6. | U. T. M. D. Anderson Cancer Center - M. D. Anderson Cancer Center Outreach Corporation: Request for Approval of Name Change and Approval of Amendments to the Articles of Incorporation and the Bylaws; Acceptance of the Resignation of a Member of the Board of Directors | 107 |
| 7. | U. T. M. D. Anderson Cancer Center: Request for Approval of Authorization to Lease Approximately 3.6 Acres of Land on Old Spanish Trail in Houston, Harris County, Texas, to Proton Therapy Center - Houston, Ltd., L.L.L.P.; Authorization to Execute a Limited Partnership Agreement with PTC Houston Management, L.P., and PTC - Houston Investors, L.L.C.; Authorization to Execute a Medical Direction Agreement, Professional Services Agreement, all with Proton Therapy Center - Houston, Ltd., L.L.L.P.; and Authorization to Take All Actions Necessary to Carry Out the Intent of the Foregoing Agreements | 109 |
| 8. | U. T. Board of Regents: Resolution on Women's Health Care | 109 |

INFORMATIONAL REPORT

- | | |
|---|-----|
| U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center: Report on the Storm in Houston in June 2001 | 110 |
|---|-----|

1. U. T. Health Science Center - Houston: Request for Authorization to Establish a Bachelor of Science Degree in Dental Hygiene and to Amend the U. T. Board of Regents' Table of Programs; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met Except for Previous Approval of Planning Authority

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Willerson that authorization be granted to U. T. Health Science Center - Houston to establish a Bachelor of Science in Dental Hygiene and to amend the U. T. Board of Regents' Table of Programs; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met except for previous approval of planning authority. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Health Science Center - Houston to reflect authorization for the proposed degree program. A description of the degree program is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Health Science Center - Houston will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

U. T. Health Science Center - Houston is proposing a Bachelor of Science (B.S.) degree in Dental Hygiene. Students will graduate with a total of 128 semester credit hours: 62 from another accredited institution and 66 from the School of Dental Hygiene program. The School of Dental Hygiene within the Department of Dental Public Health and Dental Hygiene will be responsible for the program. The

proposed program will provide an opportunity for students who desire to enter the dental profession to graduate with a B.S. degree and to enter a health-care system with expanded abilities and attitudes to meet the current evolving health-care needs of today's society.

U. T. Health Science Center - Houston currently offers a two-year Certificate Program in Dental Hygiene. The proposed program will consist of one curricular design to earn a certificate and one to earn a baccalaureate degree. To earn a certificate, the students will enter the two-year program with the prerequisite 28 semester credit hours from another accredited institution. To graduate with a baccalaureate degree, the students will enter the two-year program with the proposed prerequisite 62 semester credit hours from another accredited institution. These 62 semester credit hours are comprised of general education and elective courses that meet the Texas Common Course numbering requirements and the criteria established for baccalaureate programs by the Southern Association of Colleges and Schools.

The anticipated date for enrolling the first students is Fall 2002.

Need and Student Demand

Currently, there are only three dental hygiene baccalaureate programs in the State of Texas and only two of the three are designed as pre-entry programs. These programs are located in Dallas and Denton - approximately 300 miles from Houston. The proposed program will be located in Houston, the fourth largest city in the country and one of the fastest growing and most ethnically diverse cities in an area that offers many career opportunities. The availability of a B.S. degree in Dental Hygiene will provide graduates of this program with the qualifications needed to take advantage of these opportunities.

Graduates will serve the public in a variety of ways. The primary function will be the treatment of patients in private-based and community health care. In addition, graduates will have the opportunity to conduct research and to enter the field of teaching dental hygiene to others.

Fifteen baccalaureate students are expected to enroll in the Fall of 2002, gradually increasing to approximately 30 per class in 2005.

Program Quality

Nine registered dental hygienists, who hold master's or bachelor's degrees and who are currently teaching in the Dental Hygiene Certificate Program, will be responsible for educating the students. In addition, faculty who teach in the Doctor of Dental Surgery degree program will also teach the dental hygiene students.

Program Cost

No additional State funds will be necessary to implement this program since the students will take the additional courses required for the baccalaureate program at another institution and then enroll in the existing Dental Hygiene Certificate program.

Coordinating Board Criteria

The program meets seven of the eight applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board. The proposed Bachelor of Science in Dental Hygiene degree program is not included in the Table of Programs previously approved by the Coordinating Board for the U. T. Health Science Center - Houston; therefore, the proposed degree program does not meet the Certification for Approval of a New Bachelor's and Master's Level Degree Program by the Commissioner and must be approved by the Coordinating Board.

Summary

U. T. Health Science Center - Houston is requesting authorization to establish a Bachelor of Science in Dental Hygiene degree program and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval. There is a strong need for this degree in the region. The proposed degree will help to fill this need and to fulfill the desire of U. T. Health Science Center - Houston to meet the educational needs of students and community constituents in this region.

A copy of the proposal to establish the Bachelor of Science in Dental Hygiene degree program at U. T. Health Science Center - Houston is on file in the U. T. System Office of Health Affairs.

2. U. T. Health Science Center - Houston: Request for Authorization to Establish a Master of Science Degree in Clinical Research and to Amend the U. T. Board of Regents' Table of Programs; Approval to Submit the Proposed Degree Program and Change in the Institution's Table of Programs to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met Except for Previous Approval of Planning Authority

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Willerson that authorization be granted to U. T. Health Science Center - Houston to establish a Master of Science in Clinical Research degree program and to amend the U. T. Board of Regents' Table of Programs; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met except for previous approval of planning authority. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Health Science Center - Houston to reflect authorization for the proposed degree program. A description of the degree program is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Health Science Center - Houston will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The U. T. Health Science Center - Houston is requesting planning authority to offer a Master of Science in Clinical Research degree program in the Medical School and approval to implement this program. The proposed Master of Science in Clinical Research is designed for physicians and other clinical investigators with a variety

of academic degree qualifications. The program will consist of a didactic course work component and an intensive individual mentorship component leading to at least 36 completed semester credit hours. Each component of the program will allow flexibility to meet the training needs of individual students based on each student's prior course work, level of experience, and career goals. The Center for Clinical Research and Evidence-Based Medicine in the U. T. Health Science Center - Houston Medical School will administer the program. The goal of this Center is to increase the public's healthy years of life by promoting clinical research of the highest quality and by advancing the application of this research to prevent acute and chronic illness, disability, and premature death. The master's degree program supports this goal by training clinical investigators to design, conduct, and interpret patient-oriented research of exemplary quality. The anticipated date for implementation is January 2002.

Need and Student Demand

In 1998, U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center succeeded in securing funding for a Clinical Research Curriculum training program. The level of participation in this program evidences local interest in this training. In the 2000-2001 academic year, average attendance at these lectures has been 58. The National Institutes of Health (NIH) Request for Application for the Clinical Research Curriculum Award stated "The NIH recognizes that highly trained clinical researchers are needed in order to capitalize on the many profound developments and discoveries in fundamental science and to translate them to clinical settings." This Request for Application was intended to stimulate the inclusion of high-quality multidisciplinary didactic training as part of the career development of clinical investigators. The proposed master's program would expand on the training provided in the Clinical Research Curriculum so that selected participants can obtain more in-depth training and obtain a degree as evidence of their accomplishments. Based on interest expressed by these students, it is anticipated that six students per year will enroll in the proposed master's program.

Program Quality

The curriculum for the master's program will consist of two tracks -- one in patient-based clinical research and one in translational research. The Clinical Research Curriculum is a two-year curriculum composed of a weekly lecture series and an intensive mentorship component. Students in the master's program will be given 10 semester credit hours for successful completion of the Clinical Research Curriculum courses. Additional course work will be selected by the student and his/her advisory committee to meet the educational goals of the individual student.

New courses for the master's program will be offered at the Medical School, and each student may select from courses offered at the School of Public Health, the Graduate School of Biomedical Sciences, or the School of Health Information Sciences, according to his/her needs. Each student will be required to complete an additional 26 semester credit hours, including a practicum and a thesis. This program is designed for clinicians who are actively involved in clinical research and whose career goals include conducting high-quality clinical research. It is expected that this program will appeal primarily to physicians at the fellow and junior faculty levels as well as other clinicians and mid-level faculty who have not had previous formal training in clinical research. The rapid pace of the curriculum assumes a working knowledge of clinical medicine and an excellent scholastic aptitude. The 18 faculty members in the Center for Clinical Research and Evidence-Based Medicine will supervise this program and teach the new classes in the curriculum. They are all full-time faculty at either the Medical School or the School of Public Health. These faculty are all actively involved in clinical research and bring to the program a broad range of expertise, including biostatistics, epidemiology, ethics, and health-care economics.

Program Cost

The new degree program will require 1.5 full-time equivalent (FTE) faculty members and 0.75 FTE support staff in addition to the personnel currently supporting the Clinical Research Curriculum. No new resources are being requested for the initiation of this program. As long as the Clinical Research Curriculum Award remains funded, the program can be funded with reallocation of the existing resources in the Center for Clinical Research and Evidence-Based Medicine and the Clinical Epidemiology Program. If external funding is not sustained, funding for one to two additional faculty members and one support person would be needed. These positions could be supported by reallocation of resources from other programs.

Coordinating Board Criteria

The program meets seven of the eight applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board. The proposed Master of Science in Clinical Research degree program is not included in the Table of Programs previously approved by the Coordinating Board for the U. T. Health Science Center - Houston; therefore, the proposed degree program does not meet the Certification for Approval of a New Bachelor's and Master's Level Degree Program by the Commissioner and must be approved by the Coordinating Board.

Summary

U. T. Health Science Center - Houston is requesting authorization to establish a Master of Science in Clinical Research degree program and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval.

There is a strong need for this degree in the region. The proposed degree will help to fill this need and to fulfill the desire of U. T. Health Science Center - Houston to meet the educational needs of students and community constituents in this region.

A copy of the proposal to establish the Master of Science in Clinical Research degree program at U. T. Health Science Center - Houston is on file in the U. T. System Office of Health Affairs.

3. U. T. Health Science Center - Houston: Request for Authorization to Purchase Real Property Located at 3028 South MacGregor Way, Houston, Harris County, Texas; Authorization to Submit a Request to the Coordinating Board for Approval of the Transaction; and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Health Science Center - Houston, to:

- a. Purchase real property located at 3028 South MacGregor Way in Houston, Harris County, Texas, from Mr. Paul Pendleton of Houston, Texas, at a price of \$2,304,600, which is based upon a unit volume of \$12.27 per square foot and is the average value of two MAI appraisals
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of this transaction.

It is further recommended that the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents,

instruments, and other agreements and to take all further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

At its meeting on August 12, 1999, the U. T. Board of Regents transferred ownership of real property known as the Mental Sciences Institute from U. T. Health Science Center - Houston to U. T. M. D. Anderson Cancer Center in exchange for payments totaling \$15,000,000. U. T. Health Science Center - Houston will utilize these funds to construct a replacement facility for the Mental Sciences Institute on the subject property, which is located east of Hermann Park and the Texas Medical Center.

The property consists of approximately 4.3119 acres of land with a 6,773 square foot residential structure and a 2,019 square foot caretaker's house. The favorable location of the property, immediately adjacent to the Harris County Psychiatric Center, will facilitate programmatic interaction as well as patient access between these two mental health facilities.

4. U. T. Health Science Center - San Antonio: Request for Approval for Expanded Degree Authority in the Radiation Biology Doctoral Program in Radiological Sciences and Approval to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Cigarroa that approval be granted to U. T. Health Science Center - San Antonio to expand the degree authority in the Radiation Biology doctoral program in Radiological Sciences to include Radiation Biology: Human Imaging and to submit the proposed program to the Texas Higher Education Coordinating Board for approval. All changes to doctoral programs require Coordinating Board approval.

Upon approval by the Coordinating Board, the next appropriate catalog published at the U. T. Health Science Center - San Antonio will be amended to reflect this action.

BACKGROUND INFORMATION

U. T. Health Science Center - San Antonio is requesting a nonsubstantive change to the existing Radiation Biology doctoral degree program. This innovative change will allow research education of physicians by recruiting combination medical residency and Ph.D. students to the research specialty of Human Imaging. The change is nonsubstantive because the track continues the radiation biology focus on the study/research of biology in relation to radiation, and the courses and educational resources to support the new track are already in place for the previously approved degree programs.

The proposed program in Human Imaging will initially involve medical residents from Radiology, Radiation Oncology, and Psychiatry. These departments will provide the financial support for the program with existing funds. It is expected that other clinical departments might wish to join this process following proof of concept.

The proposal for the expansion of the Radiation Biology doctoral degree program at U. T. Health Science Center - San Antonio is on file in the U. T. System Office of Health Affairs.

5. U. T. M. D. Anderson Cancer Center: Request for Authorization to Establish a School of Health Sciences and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Mendelsohn that authorization be granted to U. T. M. D. Anderson Cancer Center to establish a School of Health Sciences and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

In addition, it is recommended that upon approval by the Coordinating Board, the Counsel and Secretary to the Board will editorially amend the Regents' Rules and Regulations, Part One, Chapter VIII, Section 4, to reflect this change. The next appropriate catalog published at U. T. M. D. Anderson Cancer Center will be amended to reflect this action.

BACKGROUND INFORMATION

The 76th Texas Legislature passed legislation granting U. T. M. D. Anderson Cancer Center the authority to offer bachelor's-level degrees in five Allied Health fields. The U. T. Board of Regents and the Coordinating Board approved the offering of degree programs in Cytogenetic Technology, Cytotechnology, Medical Dosimetry, Medical Technology, and Radiation Therapy, on August 12, 1999, and November 29, 1999, respectively.

The first baccalaureate students entered U. T. M. D. Anderson Cancer Center's programs as seniors in the Fall Semester 2000 and will graduate at the end of the Summer Semester 2001.

In preparing to seek accreditation from the Southern Association of Colleges and Schools, U. T. M. D. Anderson Cancer Center recognized that an appropriate appointment and promotion structure would be needed for faculty in the new baccalaureate Allied Health programs. This need would best be accommodated in a School of Health Sciences within U. T. M. D. Anderson Cancer Center because properly credentialed Allied Health faculty could include those with a master's degree as the terminal degree for their discipline and appropriate U. T. System approved titles could be used which are not currently in use at U. T. M. D. Anderson Cancer Center. In addition, the performance expectations for the Allied Health faculty would be focused more appropriately on undergraduate teaching and less on research and clinical care than it is for the present U. T. M. D. Anderson Cancer Center faculty. Without the recommended change, it would be difficult to structure current promotion and tenure policies and review committees to accommodate the different backgrounds and roles of this new faculty. The proposed new school follows the models used by other U. T. System health components. The faculty in the five Allied Health baccalaureate degree programs would be in the School of Health Sciences and report to the Dean of the School. There would be no departments or department chairs; the faculty would be aligned with one of the five teaching programs and the programs would each have a director as presently organized.

The Dean of the School of Health Sciences would have operational responsibility for the leadership and management of the School, its faculty, students, educational programs and budget.

There are no new costs associated with the establishment of the proposed School of Health Sciences.

6. U. T. M. D. Anderson Cancer Center - M. D. Anderson Cancer Center Outreach Corporation: Request for Approval of Name Change and Approval of Amendments to the Articles of Incorporation and the Bylaws; Acceptance of the Resignation of a Member of the Board of Directors

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Mendelsohn that the U. T. Board of Regents approve the name change of the M. D. Anderson Cancer Center Outreach Corporation to the M. D. Anderson Services Corporation and amendment of the Articles of Incorporation and the Bylaws to reflect the name change. It is further recommended that the U. T. Board of Regents accept the resignation of Charles B. Mullins, M.D., Executive Vice Chancellor for Health Affairs, U. T. System, from the Board of Directors of the Corporation.

BACKGROUND INFORMATION

The U. T. Board of Regents approved the formation of the M. D. Anderson Cancer Center Outreach Corporation (Corporation) in April 1989 in order to enable the U. T. M. D. Anderson Cancer Center to further its mission to eradicate cancer outside of the State of Texas. The Corporation was formed and capitalized to function as a vehicle through which U. T. M. D. Anderson Cancer Center could engage in out-of-state activities without subjecting the U. T. System and the U. T. Board of Regents to liability for such activities or compromising the sovereign immunity of the U. T. System and the U. T. Board of Regents with respect to such activities.

The M. D. Anderson Cancer Center Outreach Corporation's original activity was to serve as a contractual intermediary for the delivery of services to off-campus locations. U. T. M. D. Anderson Cancer Center continues to add additional responsibilities to the Corporation and the Corporation now provides many other services to U. T. M. D. Anderson Cancer Center.

Upon the request of President Mendelsohn, the Board of Directors of the M. D. Anderson Cancer Center Outreach Corporation, at its most recent meeting, voted to change the name of the Corporation to M. D. Anderson Services Corporation subject to approval by the U. T. Board of Regents.

Upon approval of the M. D. Anderson Cancer Center Outreach Corporation's proposed name change to M. D. Anderson Services Corporation and approval of the amendments to its Articles of Incorporation and Bylaws, President Mendelsohn will adopt resolutions to such effect, provide notice of such amendments to third parties as necessary, and file the amended Articles of Incorporation with the Secretary of State and any other agencies required under State and federal laws.

Presently, Charles B. Mullins, M.D., Executive Vice Chancellor for Health Affairs for the U. T. System, serves on the M. D. Anderson Cancer Center Outreach Corporation Board of Directors. Dr. Mullins is resigning his position as Executive Vice Chancellor for Health Affairs effective August 31, 2001, and therefore is resigning his position on the Board of Directors of the Corporation as well. A successor to Dr. Mullins to serve on the Board of Directors will be proposed at a later date.

With the resignation of Dr. Mullins, the membership of the Board of Directors for the M. D. Anderson Cancer Center Outreach Corporation will include the following individuals:

Leon J. Leach, Chairman of the Board of Directors
Regent Patrick C. Oxford
David L. Callender, M.D.
Kerry L. Kennedy
Margaret Kripke, Ph.D.
Martin N. Raber, M.D.

7. U. T. M. D. Anderson Cancer Center: Request for Approval of Authorization to Lease Approximately 3.6 Acres of Land on Old Spanish Trail in Houston, Harris County, Texas, to Proton Therapy Center - Houston, Ltd., L.L.L.P.; Authorization to Execute a Limited Partnership Agreement with PTC Houston Management, L.P., and PTC - Houston Investors, L.L.C.; Authorization to Execute a Medical Direction Agreement, Professional Services Agreement, all with Proton Therapy Center - Houston, Ltd., L.L.L.P.; and Authorization to Take All Actions Necessary to Carry Out the Intent of the Foregoing Agreements

A recommendation for U. T. M. D. Anderson Cancer Center to lease land to Proton Therapy Center - Houston, Ltd., L.L.L.P., and related actions will be available in advance of the August 2001 meeting of the U. T. Board of Regents.

8. U. T. Board of Regents: Resolution on Women's Health Care

RECOMMENDATION

It is recommended that the U. T. Board of Regents pass the following resolution in support of efforts to improve the health status of women in Texas:

RESOLUTION

WHEREAS, The 77th Texas Legislature, Regular Session, passed House Concurrent Resolution 235 and formally pledged its support of efforts to improve the health status of women in Texas; and

WHEREAS, The State of Texas supports equal access to quality health care for women; and

WHEREAS, The Legislature encourages each State agency, public institution of higher education, and all recipients of State funding to take appropriate action to achieve improved and equal access for women to quality health care; and

WHEREAS, The institutions of the U. T. System are committed to equal access and quality health care for women; therefore, be it

HEALTH AFFAIRS COMMITTEE

SUPPLEMENTAL MATERIAL

AUGUST 9, 2001

7. U. T. M. D. Anderson Cancer Center: Request for Approval of Authorization to Lease Approximately 3.6 Acres of Land on Old Spanish Trail, Houston, Harris County, Texas to Proton Therapy Center - Houston, Ltd., L.L.L.P.; Authorization to Execute a Limited Partnership Agreement with PTC Houston Management, L.P., and PTC - Houston Investors, L.L.C.; Authorization to Execute a Medical Direction Agreement, Professional Services Agreement, a Staffing and Operations Agreement, a Utilization Agreement, and a Sublicense Agreement, all with Proton Therapy Center - Houston, Ltd., L.L.L.P.; and Authorization to Take All Actions Necessary to Carry Out the Intent of the Foregoing Agreements

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Mendelsohn that the Board authorize U. T. M. D. Anderson Cancer Center to execute the following agreements, conditioned upon approval of the Office of General Counsel and the Office of Business Affairs:

- a. A Ground Lease of approximately 3.6 acres of land on Old Spanish Trail in Houston, Harris County, Texas, between the U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, and the Proton Therapy Center - Houston, Ltd., L.L.L.P.
- b. A Limited Partnership Agreement between PTC Houston Management, L.P., PTC - Houston Investors, L.L.C., and U. T. M. D. Anderson Cancer Center

- c. A Medical Direction Agreement, a Professional Services Agreement, a Staffing and Operations Agreement, a Utilization Agreement, and a Sublicense Agreement between U. T. M. D. Anderson Cancer Center and Proton Therapy Center - Houston, Ltd., L.L.L.P.

It is further recommended that the institutional President be authorized to take any and all actions necessary or desirable to carry out the purpose and intent of the foregoing agreements including, without limitation, the authority to sublicense trademarks owned by the U. T. Board of Regents for the specific purposes set forth in the Sublicense Agreement and the authority to take any and all such actions necessary to fulfill the rights and obligations and receive the benefits provided in each of the above listed agreements.

BACKGROUND INFORMATION

Investment bankers Sanders Morris Harris, Houston, Texas, acting on behalf of PTC Houston Management, L.P. and PTC - Houston Investors, L.L.C., and U. T. M. D. Anderson Cancer Center negotiated to create a series of documents that authorize investment in a Texas registered limited liability limited partnership (LLLP) consisting of the same parties. As envisioned, the three parties will invest in a business entity in which PTC Houston Management, L.P. would serve as the general partner with a 1% interest in the LLLP. U. T. M. D. Anderson Cancer Center will hold an ownership interest in the LLLP, and PTC - Houston Investors, L.L.C. will hold the balance of the 74% interest in the LLLP. PTC Houston Management, L.P. will receive a management fee equal to 4% of all operating revenue from the LLLP. The agreement does not provide for a development fee to be paid to PTC Houston Management, L.P. and its affiliates. The interest of U. T. M. D. Anderson Cancer Center in distributions from the Partnership would be partially subordinated to distributions of a return on the contributions of the other Partners until such time as those Partners have received a 58% return on their capital.

The limited liability limited partnership would develop and operate a proton therapy center to provide the latest technology to administer radiation therapy to cancer patients at U. T. M. D. Anderson. As structured, the LLLP will secure equity and debt sufficient to construct and commence operations of a Proton Therapy Center costing approximately \$95 million dollars. The U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, will lease to the LLLP a parcel of approximately 3.6 acres of land in the south campus research area on Old Spanish Trail. The lease is for a maximum term of 60 years and provides for prepaid rental of \$2.5 million, which U. T. M. D. Anderson Cancer Center will invest in the LLLP as

part of its capital contribution. The lease further provides that, in the event that U. T. M. D. Anderson Cancer Center no longer participates in the LLLP, the U. T. Board of Regents will be entitled to receive fair market value rental or a discounted fair market value rental, depending upon the circumstances of the withdrawal of the Cancer Center from the LLLP. If the LLLP expires at the end of its primary term of 40 years or after a renewal period, the lease will terminate. Finally, at the time of termination of the Lease whether upon early termination due to default by the Lessee or upon expiration of the lease term, U. T. M. D. Anderson is, under many circumstances, required to purchase the building from the LLLP at fair market value as defined in the lease, not to exceed an amount equal to twice the amount budgeted for the cost of completion of the building (under the construction budget approved by U. T. M. D. Anderson, as modified from time to time) increased by increases in the Consumer Price Index from completion to the date of purchase, and decreased by "depreciation" as defined in the lease.

In addition to the Limited Partnership Agreement and the lease, there are five additional related agreements: (1) a Medical Direction Agreement which, for a fee equal to the cost of employing the Medical Director for the Proton Therapy Center to be received by the Cancer Center, provides that the Division Head for Radiation Oncology be appointed as the Medical Director of the facility; (2) a Professional Services Agreement under which the Cancer Center provides the doctors, dosimetrists, and physicists for the delivery of proton therapy and bills and collects for the professional fees so generated; (3) a Staffing and Operations Agreement which provides for other services that will be purchased by the LLLP from the Cancer Center for support services (such as triage nurses and other support personnel); (4) a Utilization Agreement which provides certain obligations of the LLLP to provide facilities and resources to Cancer Center researchers for research; and (5) a Sublicense Agreement for the use of the Cancer Center name for the promotion of proton therapy services.

Establishment of a Proton Therapy Center in partnership with Tenet Healthcare, Inc. as the original investor and majority partner was originally approved by the U. T. Board of Regents in August of 1999. Because of decisions unrelated to the therapeutic technology involved, Tenet Healthcare, Inc. determined it would not enter into the transaction. The Cancer Center sought another majority investor to participate on terms more beneficial to the institution and the U. T. System. The Cancer Center provided information and requested deal points to four different entities to allow each entity to make proposals on financing and development of a proton therapy center in conjunction with the Cancer Center. The four entities are: Sanders Morris Harris through its development partner the Styles Group; DevelopTech Resources through its principal David Nance; Proton Therapy Venture Group, Inc.; and CIBS Oppenheimer. Proposals were received from Sanders Morris Harris, DevelopTech Resources and Proton Therapy Venture Group, Inc. in March 2001.

Following an evaluation of the proposals, the Cancer Center chose PTC - Houston Investors, L.L.C. and PTC Houston Management, L.P., acting through the investment banking firm of Sanders Morris Harris as the majority investors. Sanders Morris Harris was determined to be the best partner based upon most experience in raising capital for similar projects; most experience in developing health-care projects; most realistic business plan for the Center; more potential financial return for U. T. M. D. Anderson Cancer Center within realistic operating parameters; and better managerial compatibility with investment partners. The arrangement proposed is more beneficial than the Tenet proposal approved in 1999 in the following significant aspects:

- Cancer Center participation in initial partnership profits guaranteed at 15% (to a maximum of 25%) rather than 5% as under the Tenet partnership proposal
- Services provided exclusively by Cancer Center physicians and physicians "invited" by Cancer Center
- All technical and staffing support provided by Cancer Center.

The decision process was reviewed and the result concurred with by outside consultants Deloitte & Touche. The proposed agreements have been reviewed and approved by the Office of General Counsel.

RESOLVED, That the U. T. System Board of Regents commends Senator Jane Nelson and Representative Dianne Delisi for their sponsorship of House Concurrent Resolution 235, and be it further

RESOLVED, That the U. T. System and its component institutions will renew and sustain their commitment to this effort.

INFORMATIONAL REPORT

U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center: Report on the Storm in Houston in June 2001

REPORT

Dr. James T. Willerson, President, U. T. Health Science Center - Houston and Dr. John Mendelsohn, President, U. T. M. D. Anderson Cancer Center will discuss damage and remediation related to the storm in Houston in June 2001.

**Facilities, Planning & Construction
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE
Committee Chairman Clements

Date: August 9, 2001
Time: Following the Meeting of the Health Affairs Committee
Place: Bluebonnet Ballroom South, E.H. Hereford University Center,
U. T. Arlington

	<u>Page</u>
1. U. T. Arlington - University Village West Apartments (Project No. 301-076): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	113
2. U. T. Austin - Library Storage Facility (Project No. 102-016): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure	118
3. U. T. El Paso - Student Housing (Project No. 201-009): Request for Approval to Redesignate Project and Name Individual Buildings (<u>Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Naming of Facilities and Other Entities</u>)	119
4. U. T. Tyler - Nursing Building (Project No. 802-074): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure	120

5. U. T. Tyler - Longview University Center: Request for Acceptance of Gift Funds for an Outdoor Work of Art for Neal and Peggy Garland Hall (Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.2) and Approval for Related Honorific Naming 122
6. U. T. Southwestern Medical Center - Dallas - Student Services Building (Project No. 303-008): Request for Approval to Name Facility (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings) 123
7. U. T. Health Science Center - Houston - School of Nursing and Student Community Center (Project No. 701-967): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity 124
8. U. T. Health Science Center - San Antonio - Hidalgo County Medical Research Division of the Regional Academic Health Center (Project No. 402-996): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure 130

1. U. T. Arlington - University Village West Apartments (Project No. 301-076): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Witt that the U. T. Board of Regents:

- a. Approve design development plans for the University Village West Apartments at U. T. Arlington
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$8,804,000
- d. Appropriate funds and authorize expenditure of \$8,804,000 from Revenue Financing System Bond Proceeds.

The Chancellor also concurs in 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. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 116, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$8,804,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The University Village West Apartments project at U. T. Arlington is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$8,804,000 with funding from Revenue Financing System Bond Proceeds.

The project includes construction of an apartment complex consisting of 115,440 gross square feet, capable of housing 250 students, and includes a commons building, swimming pool, and related site improvements.

There is a strong demand for additional university-owned and operated apartment units on the campus. At the beginning of the Fall Semester 2000, there was a waiting list of over 1,000 students for the existing apartments that have averaged between 98 and 100% occupancy over the last two years. The project includes five, three-story buildings having 24 units each for a total of 120 units. These 120 units will include 168 bedrooms and a mix of 60% one-bedroom units and 40% two-bedroom units.

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

The debt is to be repaid from revenues generated by existing housing, which currently consists of 16 apartment complexes, and from revenues from the University Village West Apartments projected to be operational for the Fall Semester of FY 2003. Annual debt service during the construction period is projected to be \$194,080 in FY 2002 assuming a 4.5% short-term borrowing rate. The annual debt service is projected to be \$767,573 starting FY 2003, based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage on the project is expected to be at least 1.2 times, and overall debt service coverage for the component is expected to be at least 1.6 times. The financing forecast for this project is set forth on Page 117.

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the University Village West Apartments at U. T. Arlington, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 19th day of July, 2001

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

The University of Texas at Arlington
University Village West Apartments

Project Level (Actual \$)

	Forecast				
	FY 02	FY 03	FY 04	FY 05	FY 06
Net Rental Income		884,419	910,951	938,279	966,428
Debt Service	(194,080)	(767,573)	(767,573)	(767,573)	(767,573)
Transfer from Existing Housing Revenues	194,080	-	-	-	-
Change in Fund Balance	0	116,846	143,378	170,706	198,855
Ending Fund Balance	0	116,846	260,224	430,930	629,785
Debt Service Coverage	1.0	1.2	1.2	1.2	1.3

Campus Level: (\$ in millions)

	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Beginning Fund Balance	28.6	29.4	28.6	33.0	38.3	47.9	54.9	63.6	73.0
Total Current Unrestricted Revenues	164.4	165.0	180.8	187.1	197.6	200.4	207.5	212.8	218.3
Total Current Unrestricted Expenditures	(154.5)	(152.5)	(165.5)	(170.4)	(175.8)	(181.0)	(186.0)	(191.2)	(197.0)
Net Revenues	9.9	12.5	15.3	16.7	21.8	19.4	21.5	21.6	21.3
Debt Service	(7.5)	(8.8)	(9.4)	(10.7)	(11.4)	(11.7)	(11.9)	(11.3)	(10.5)
Other Mandatory Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mandatory Transfers	(7.5)	(8.8)	(9.4)	(10.7)	(11.4)	(11.7)	(11.9)	(11.3)	(10.5)
Nonmandatory Transfers	(0.9)	(3.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Adjustments	(0.7)	(0.8)	(0.7)	-	-	-	-	-	-
Net Increase/(Decrease) for Year	0.8	(0.9)	4.5	5.3	9.6	7.0	8.7	9.4	9.9
Ending Fund Balance	29.4	28.6	33.0	38.3	47.9	54.9	63.6	73.0	82.9
Debt Service Coverage	1.3	1.4	1.6	1.6	1.9	1.7	1.8	1.9	2.0
Debt Service as % of Budget	4.6%	5.5%	5.4%	5.9%	6.1%	6.1%	6.0%	5.6%	5.1%

U.T. System (\$ in millions)

	Actual			Forecast					
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Available Revenues	4,208.7	4,363.1	4,967.6	5,151.4	5,386.6	5,559.8	5,894.5	6,133.2	6,434.8
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,828.8)	(4,939.2)	(5,092.8)	(5,350.9)	(5,559.0)	(5,789.4)
Net Available for Debt Serv.	297.2	196.6	405.5	322.6	447.4	467.0	543.6	574.2	645.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Debt Service	(84.8)	(95.2)	(116.6)	(135.8)	(159.2)	(170.6)	(210.5)	(217.0)	(217.9)
Debt Service Coverage	3.5	2.0	3.5	2.4	2.8	2.7	2.6	2.6	3.0
Debt Service as % of Budget	2.1%	2.2%	2.5%	2.7%	3.1%	3.2%	3.8%	3.8%	3.6%

2. U. T. Austin - Library Storage Facility (Project No. 102-016): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Faulkner that the U. T. Board of Regents:

- a. Approve design development plans for the Library Storage Facility project at U. T. Austin
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$4,800,000
- d. Appropriate funds and authorize expenditure of \$500,000 from Permanent University Fund (PUF) Bond Proceeds and \$4,300,000 from Designated Tuition.

BACKGROUND INFORMATION

The Library Storage Facility project at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$4,300,000 with funding of \$500,000 from PUF Bond Proceeds and \$3,800,000 from Designated Tuition. The total project cost is recommended to increase to \$4,800,000 with additional funding of \$500,000 from Designated Tuition to upgrade the fire and life safety conditions for the existing facility to provide a code compliant sprinkler system. Additionally, this phase is being increased to provide for administrative and mechanical infrastructure in the most cost effective manner in anticipation of a future phase.

This project will add approximately 12,000 gross square feet to the existing Library Storage Facility located at the J. J. Pickle Research Campus (PRC). The additional space will allow materials to be moved from the main campus libraries to provide additional library seating for students, will allow more efficient shelving of new materials, and will provide additional space for The University of Texas Press inventory. It will also enable the Center for American History, the Harry Ransom Humanities Research Center, the Alexander Architectural Archive, and other facilities to continue to attract, acquire, and house primary archival and manuscript research materials for faculty and student use and permit the Balcones Library Service Center to be moved from the PRC Commons building to the Library Storage Facility addition. This move will allow the PRC Commons to reconfigure its meeting facilities and operate more effectively.

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

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

3. U. T. El Paso - Student Housing (Project No. 201-009): Request for Approval to Redesignate Project and Name Individual Buildings (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Naming of Facilities and Other Entities)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for Development and External Relations, and President Natalicio that the U. T. Board of Regents approve the redesignation of the Student Housing project at U. T. El Paso as the Miner Village and name the individual buildings in the apartment complex as Capitan, Chisos, Davis, Del Norte, Eagle, Franklin, Guadalupe,

Hueco, Indio, Mimbres, Sacramento, and Tinaja. The proposed name for the main building containing the housing office, study rooms, and social rooms is Summit.

BACKGROUND INFORMATION

The Student Housing project at U. T. El Paso is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$15,000,000 with funding from Revenue Financing System Bond Proceeds.

The complex will accommodate a total of 428 undergraduate and graduate students in 12 apartment-style buildings. Construction is on schedule, with occupancy anticipated in Fall 2001. The recommendation to name the apartment complex the Miner Village reflects the mining tradition of the area and proposed building namings reflect names of mountain ranges in the El Paso region.

These namings are consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, and institutional guidelines on the naming of buildings.

4. U. T. Tyler - Nursing Building (Project No. 802-074): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Mabry that the U. T. Board of Regents:

- a. Approve design development plans for the Nursing Building at U. T. Tyler

- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$7,300,000
- d. Appropriate funds and authorize expenditure of \$4,800,000 from Permanent University Fund (PUF) Bond Proceeds and \$2,500,000 from Gifts and Grants.

BACKGROUND INFORMATION

The Nursing Building project at U. T. Tyler is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$7,300,000 with funding of \$4,800,000 from PUF Bond Proceeds and \$2,500,000 from Gifts and Grants.

The project involves construction of a new building for the College of Nursing to house academic classrooms, laboratories, and offices. The nursing program has outgrown the existing space. The College of Nursing consistently denies admission to large numbers of qualified nursing students due to space limitations. A new nursing building will allow U. T. Tyler to move the College of Education and Psychology out of the Student University Center into space vacated by the College of Nursing. Space is needed in the Student University Center to accommodate student services for growing numbers of freshman and sophomore students.

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

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

5. U. T. Tyler - Longview University Center: Request for Acceptance of Gift Funds for an Outdoor Work of Art for Neal and Peggy Garland Hall (Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.2) and Approval for Related Honorific Naming

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Mabry that the U. T. Board of Regents accept a gift of \$35,000 to purchase an outdoor sculpture for the Neal and Peggy Garland Hall at The University of Texas at Tyler - Longview University Center from Mr. John Robbins, Mrs. Betty Robbins Lloyd, and Mrs. Dorothy Robbins Kennedy.

It is further recommended that the courtyard where the statue will be placed be named the Robbins, Lloyd, Kennedy Family Courtyard in recognition of the gift.

BACKGROUND INFORMATION

The proposed gift of an outdoor sculpture depicts a student made from bronze by Mrs. Dorothy Robbins Kennedy of Longview, Texas. The gift of \$35,000 will be used to fund the making of the statue and U. T. Tyler will pay the \$12,000 cost for shipping and installation of the statue. Acceptance of this gift is consistent with the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.2, relating to gifts to the U. T. System.

The recommended honorific naming of the outdoor courtyard space would normally be submitted for approval as a Docket item, but because of its relation to the gift acceptance, is presented for approval via the agenda.

6. U. T. Southwestern Medical Center - Dallas - Student Services Building (Project No. 303-008): Request for Approval to Name Facility (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. Board of Regents name the Student Services Building at U. T. Southwestern Medical Center - Dallas as The Bryan Williams, M.D., Student Center to recognize the significant contributions and commitment of Dr. Bryan Williams to the campus.

BACKGROUND INFORMATION

The Student Services Building at U. T. Southwestern Medical Center - Dallas is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$10,920,000, with funding of \$8,000,000 from Gifts and Grants and \$2,920,000 from Interest on Local Funds.

The new construction is comprised of a 43,000 gross square foot building for student recreation and health and will contain a gym, a cardiovascular exercise area, an aerobics room, racquetball courts, a jogging track, and support areas.

Dr. Bryan Williams has served the students at U. T. Southwestern Medical Center - Dallas for over thirty years. More than one-half of all alumni graduated during his tenure as Associate Dean for Student Affairs from 1970-1990. He continued to nurture students for the next five years as Associate Dean for Alumni Affairs, and even in retirement, Dr. Williams has been an unwavering advocate for students.

As a charter member of the Institute of Medicine of the National Academy of Sciences, Dr. Williams was the first U. T. Southwestern Medical Center faculty member to be so honored. He has served as Chairman of the Board of Governors of the

American College of Physicians and is a Fellow in the Royal Society of Medicine. Dr. Williams has long served the community in many civic capacities including the Dallas Grand Opera Association, the Dallas Museum of Art and the Dallas Symphony Association. His support of students' exploration and expression of interests outside of medicine was constant whether those interests were artistic, intellectual, recreational, or athletic.

The naming of The Bryan Williams, M.D., Student Center is consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.3, and institutional guidelines on the naming of facilities in honor of and in appreciation of the support and generosity of Dr. Bryan Williams.

7. U. T. Health Science Center - Houston - School of Nursing and Student Community Center (Project No. 701-967): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. Board of Regents:

- a. Approve design development plans for the School of Nursing and Student Community Center at U. T. Health Science Center - Houston
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$63,700,000
- d. Appropriate the remaining funds of \$56,400,000 and authorize expenditure of \$32,500,000 from Revenue Financing

System Bond Proceeds, \$17,500,000 from Tuition Revenue Bond Proceeds, and \$6,400,000 from Gifts and Grants.

The Chancellor also concurs in 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. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 127, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. component 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$50,000,000 (\$32,500,000 from Revenue Financing System Bond Proceeds and \$17,500,000 from Tuition Revenue Bond Proceeds)
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The School of Nursing and Student Community Center project at U. T. Health Science Center - Houston is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$63,700,000 with funding of \$32,500,000 from Revenue Financing System Bond

Proceeds, \$17,500,000 from Tuition Revenue Bond Proceeds, \$10,000,000 from Gifts and Grants, and \$3,700,000 from Unexpended Plant Funds.

On November 12, 1998, the U. T. Board of Regents appropriated \$6,700,000 with funding of \$3,700,000 from Unexpended Plant Funds and \$3,000,000 from Gifts and Grants for the first stage of the project, and on February 15, 2001, funding in the amount of \$600,000 from Gifts and Grants was appropriated for the deconstruction and the renovation work that permits the relocation of staff housed in the Human Genetics Center. Following staff relocation, the second stage of the project commenced with the deconstruction work and some preliminary site and utility work that fully prepared the project site for construction of the new building.

The project will include the construction of 227,000 gross square feet consisting of classrooms, offices, educational media labs, resource areas, and student service and gathering areas.

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

In 1997, the 75th Texas Legislature authorized \$17,500,000 of tuition revenue bonds to be issued to U. T. Health Science Center - Houston for the Nursing and Student Community Center. The debt service coverage for the \$17,500,000 is reflected on Page 128. This project financing assumes interim financing at a 4.5% interest rate for FY 2002 and a 6% interest rate for 20 years with the fixed rate borrowing to occur in FY 2003.

The \$32,500,000 in revenue financing system debt is to be repaid from designated tuition receipts, auxiliary enterprise income, and reserve fund balances of \$1,033,000. The interim revenue financing debt service while the project is under construction is projected to be \$562,500 in FY 2002 and \$1,462,500 in FY 2003 assuming a 4.5% short-term borrowing rate. The annual revenue financing system debt service is projected to be \$2,833,500 based on a 6% interest rate for 20 years with the fixed rate borrowing to occur in FY 2004. The overall debt service coverage for U. T. Health Science Center - Houston is expected to be at least 1.3 times. The financing forecast for this project is set forth on Page 129.

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the School of Nursing and Student Community Center at U. T. Health Science Center - Houston, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution as amended, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution as amended.

EXECUTED this 19th day of July, 2001

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

**The University of Texas System
Tuition Revenue Financing System
Debt Service Coverage
(\$ in millions)**

	<u>Actual</u>			<u>Forecast</u>					
	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
As of July 1, 2001:									
Available Revenues	4,208.7	4,363.1	4,967.6	5,151.4	5,386.6	5,559.8	5,894.5	6,133.2	6,434.8
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,828.8)	(4,939.2)	(5,092.8)	(5,350.9)	(5,559.0)	(5,789.8)
Net Revenues Available for Debt Service	297.2	196.6	405.5	322.6	447.4	467.0	543.6	574.2	645.0
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Debt Service:									
Non - Tuition Related	(64.6)	(66.3)	(76.3)	(94.3)	(118.2)	(130.4)	(161.1)	(162.6)	(161.9)
Tuition Debt Service									
Existing Tuition Bonds	(20.3)	(28.9)	(40.27)	(41.48)	(33.46)	(25.18)	(24.42)	(24.42)	(24.43)
Recommended to BOR 8/01:									
\$17.5 million					(0.79)	(1.53)	(1.53)	(1.53)	(1.53)
Future Tuition Debt					(6.79)	(13.44)	(23.40)	(28.49)	(30.03)
Total Debt Service	(84.8)	(95.2)	(116.6)	(135.8)	(159.2)	(170.6)	(210.5)	(217.0)	(217.9)
Debt Service Coverage Without Tuition Bonds (x)	4.5	2.9	5.3	3.0	3.4	3.3	3.1	3.2	3.6
Debt Service Coverage With Tuition Bonds (x)	3.5	2.0	3.5	2.4	2.8	2.7	2.6	2.6	3.0

**The University of Texas Health Science Center at Houston
School of Nursing and Student Community Center**

Campus Level: (\$ in millions)	Actual			Forecast					
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Beginning Fund Balance	82.7	102.4	88.2	89.4	97.6	105.2	113.9	123.7	137.1
Total Current Unrestricted Revenues	330.0	323.3	362.6	371.9	390.7	399.3	409.1	418.1	427.3
Total Current Unrestricted Expenditures	(312.5)	(332.2)	(354.0)	(357.7)	(378.8)	(385.0)	(388.8)	(394.3)	(402.5)
Net Revenues	17.5	(8.8)	8.6	14.3	11.9	14.3	20.4	23.8	24.8
Debt Service on \$32.5 million					(0.6)	(1.5)	(2.8)	(2.8)	(2.8)
Existing Debt Service	(7.0)	(6.4)	(6.0)	(8.0)	(8.7)	(9.3)	(12.5)	(12.4)	(12.3)
Other Mandatory Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mandatory Transfers	(7.0)	(6.4)	(6.0)	(8.0)	(9.3)	(10.8)	(15.3)	(15.2)	(15.1)
Nonmandatory Transfers	6.0	4.7	1.2	(0.5)	3.5	3.5	3.2	3.2	3.4
Adjustments	(0.7)	(0.9)	0.6	1.5	1.5	1.6	1.6	1.6	1.4
Net Increase/(Decrease) for Year	19.7	(11.5)	4.4	7.3	7.6	8.6	9.8	13.4	14.5
Ending Fund Balance	102.4	88.2	89.4	97.6	105.2	113.9	123.7	137.1	151.6
Debt Service Coverage	2.5	(1.4)	1.4	1.8	1.3	1.3	1.3	1.6	1.6
Debt Service as % of Budget	2.2%	1.9%	1.7%	2.2%	2.4%	2.7%	3.8%	3.7%	3.6%

U.T. System (\$ in millions)	Actual			Forecast					
	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Available Revenues	4,208.7	4,363.1	4,967.6	5,151.4	5,386.6	5,559.8	5,894.5	6,133.2	6,434.8
Operating Expenses	(3,911.5)	(4,166.5)	(4,562.1)	(4,828.8)	(4,939.2)	(5,092.8)	(5,350.9)	(5,559.0)	(5,789.4)
Net Available for Debt Service	297.2	196.6	405.5	322.6	447.4	467.0	543.6	574.2	645.4
Other Mandatory Transfers	(1.3)	(0.8)	(0.7)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Debt Service	(84.8)	(95.2)	(116.6)	(135.8)	(159.2)	(170.6)	(210.5)	(217.0)	(217.9)
Debt Service Coverage	3.5	2.0	3.5	2.4	2.8	2.7	2.6	2.6	3.0
Debt Service as % of Budget	2.1%	2.2%	2.5%	2.7%	3.1%	3.2%	3.8%	3.8%	3.6%

8. U. T. Health Science Center - San Antonio - Hidalgo County Medical Research Division of the Regional Academic Health Center (Project No. 402-996): Request for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. Board of Regents:

- a. Approve design development plans for the Hidalgo County Medical Research Division of the Regional Academic Health Center (RAHC) at U. T. Health Science Center - San Antonio
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$20,000,000
- d. Appropriate funds and authorize expenditure of \$20,000,000 from Permanent University Fund (PUF) Bond Proceeds.

BACKGROUND INFORMATION

The Hidalgo County Medical Research Division of the RAHC at U. T. Health Science Center - San Antonio is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$20,000,000 with funding from PUF Bond Proceeds.

This project will consist of space and equipment to address medical issues of the Texas-Mexico border region and Lower Rio Grande Valley. This facility will provide the necessary environment to attract major research grants and contracts from pharmaceutical and biotechnology companies as well as federal and State environmental health agencies.

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

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

Other Matters

L. RECONVENE AS COMMITTEE OF THE WHOLE

M. OTHER MATTERS

1. Report of Board for Lease of University Lands

REPORT

The Board for Lease of University Lands met on Wednesday, May 16, 2001, at the Center for Energy and Economic Diversification in Midland, Texas, for a general business meeting and to hold Regular Oil and Gas Lease Sale No. 99.

Following is a report on the result of the lease sale:

Regular Oil and Gas Lease Sale No. 99: Total bonuses were received in the amount of \$7,240,988.47 for 23,946.925 acres (71 tracts) leased out of 38,667.671 acres (123 tracts) of Permanent University Fund lands nominated for lease. The single highest bid was \$361,466 (\$557.99/acre) for a 647.8-acre tract in Upton County.

Following is a report on the general business meeting:

- a. Approved the Minutes of the November 8, 2000, meeting of the Board for Lease
- b. Approved amendments to the Board for Lease of University Lands rules
- c. Elected Regent R. H. Stevens of The Texas A&M University System as Vice Chairman of the Board for Lease
- d. Appointed Ms. Nora Ochoa Evans as Secretary to the Board for Lease
- e. Approved significantly modified lease procedures and terms for Regular Oil and Gas Lease Sale No. 100 to be held in November 2001. (A summary of lease changes is presently available at: <http://www.utlands.utsystem.edu/ogmi/nextsale.html>.)

- f. Approved a temporary exploratory unit for Nearburg Exploration Company in Upton County, Texas, on specified terms and for a cash consideration to be negotiated by staff within recommended parameters
- g. Heard an update by the General Land Office on the State Power Program, which authorizes the Commissioner to enhance any State oil and gas royalties taken in-kind by converting such royalties into electricity for sale to certain public retail customers
- h. Authorized the Commissioner, after certain conditions have been met, to enhance some Permanent University Fund oil royalties taken in-kind by including such oil royalties in the State Power Program, and also approved the continued management of the remaining oil royalties and all gas royalties under the existing royalty in-kind programs as presented by staff.

The next regularly scheduled meeting of the Board for Lease of University Lands and lease awards for Regular Oil and Gas Lease Sale No. 100 is tentatively scheduled to be held in the Board of Regents' Meeting Room at the U. T. System in Austin, Texas, on November 14, 2001. However, as the Board for Lease may wish to commemorate Lease Sale No. 100, the time, location and date (between November 13 and November 16) of this meeting are subject to change. Bids will be opened at the Center for Energy and Economic Diversification in Midland, Texas, on November 13, 2001.

2. U. T. Board of Regents: Discussion of Task Force Charges

Chairman Miller will lead a discussion of Task Force charges and planned activities.

3. U. T. System: Presentation on Higher Education, High Technology, and the Economy with a Special Presentation on Nanotechnology

Chancellor Burck will provide a brief presentation on Higher Education, High Technology, and the Economy. Dr. Robert E. Witt, President at U. T. Arlington, will introduce a special report on nanotechnology.

4. U. T. Board of Regents: Presentation of Certificate of Appreciation

N. SCHEDULED EVENTS

1. Board of Regents' Meetings - 2001 and 2002

<u>Dates</u>	<u>Locations/Hosts</u>
November 7-8, 2001	U. T. Tyler
February 13-14, 2002	U. T. San Antonio
May 8-9, 2002	Austin (no host)
August 7-8, 2002	U. T. El Paso
November 13-14, 2002	U. T. Dallas

2. Other Events - 2001

November 1, 2001	U. T. M. D. Anderson Cancer Center: University Cancer Foundation Board of Visitors' Meeting
November 29, 2001	U. T. M. D. Anderson Cancer Center: Faculty Honors Convocation

O. ADJOURNMENT