

Meeting No. 1,072

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

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July 14, 2011

Austin, Texas

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MEETING NO. 1,072

THURSDAY, JULY 14, 2011.--The members of the Board of Regents of The University of Texas System convened this meeting at 12:07 p.m. on Thursday, July 14, 2011, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Powell
Vice Chairman Foster
Vice Chairman Hicks
Vice Chairman Dannenbaum
Regent Cranberg
Regent Gary
Regent Hall
Regent Pejovich
Regent Stillwell
Regent Rutkauskas, Student Regent, nonvoting

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

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

Chairman Powell remarked on the efforts of the Texas House and Senate and the Governor as they addressed the State of Texas budget. He said the need for cuts was understood and accepted, and The University of Texas System institutions were working diligently to address the budget realities. He said the U. T. System was fortunate to have access to the Permanent University Fund, an asset that has been managed carefully and creatively with an eye to the future. Noting the current leasing activity of Permanent University Lands and increased oil and gas production, Chairman Powell said there is more revenue than anticipated and a recommended distribution would assist with the shortfall in State funding.

Chairman Powell called on Vice Chairman Foster, in his roles as Chairman of The University of Texas Investment Management Company (UTIMCO) and Chairman of the Board's Finance and Planning Committee, and on Executive Vice Chancellor Kelley for comments.

Upon recommendation by the Chancellor and the Executive Vice Chancellor for Business Affairs, the Board approved that

- a. the Fiscal Year 2012 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 13.65% from \$506,395,811 to \$575,511,336 effective September 1, 2011. The distribution is an amount equal to 5.50% of the trailing 12-quarter average of the net asset value of the PUF;
- b. the distribution rate for the Permanent Health Fund (PHF) be increased from \$0.0554 per unit to \$0.0561 per unit for Fiscal Year 2012 (effective with the November 30, 2011 distribution);
- c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.3172 per unit to \$0.3215 per unit for Fiscal Year 2012 (effective with the November 30, 2011 distribution); and
- d. the distribution rate for the U. T. System Intermediate Term Fund (ITF) remain at 3.0% per annum (paid monthly) for Fiscal Year 2012.

The PUF Investment Policy states that the UTIMCO Board shall recommend an annual distribution from the PUF to the AUF in an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement. The Maximum Allowed Distribution rate is 7.0%.

As shown in the table on the next page, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2011, has not exceeded the Expected Return by 25 basis points or more ($\geq 25\%$). Therefore, as outlined in the PUF Investment Policy, the "default" distribution rate for Fiscal Year 2011-12 would be 4.75%, or \$497,032,518.

	<u>Trailing 12 - Quarters Ending February 28, 2011</u>	<u>Expected or Benchmarks</u>	<u>Excess (Deficit)</u>
Average Annual Rate of Return	2.02	8.82%	-6.80%

However, the Board of Regents has the authority to distribute an amount that it deems appropriate up to a maximum rate of 7.0% (except as necessary to pay PUF bond debt service). Due to a record year of PUF royalty income, strong investment performance by UTIMCO, and the constrained State budget situation for the next biennium, the Chancellor and the Executive Vice Chancellor for Business Affairs recommended that the distribution rate from

the PUF to the AUF for Fiscal Year 2012 be 5.50%, or \$575,511,336. This calculation is shown below:

Quarter Ended	Net Asset Value
5/31/2008	12,245,951,162
8/31/2008	11,359,463,077
11/30/2008	8,837,574,480
2/28/2009	8,286,887,451
5/31/2009	9,143,803,884
8/31/2009	9,673,908,334
11/30/2009	10,341,053,437
2/28/2010	10,470,036,500
5/31/2010	10,524,153,261
8/31/2010	10,724,962,438
11/30/2010	11,619,582,822
2/28/2011	12,338,732,852
	\$125,566,109,698
Number of quarters	12
Average Net Asset Value	\$ 10,463,842,475
Distribution Percentage	5.50%
FY 2011-12 Distribution	\$ 575,511,336

Article VII, Section 18 of the *Texas Constitution* requires that the amount of distributions to the AUF be determined by the U. T. System Board of Regents (U. T. Board) in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The *Constitution* further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF 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 PUF bonds and notes. The distribution of \$575,511,336 is substantially greater than PUF bond debt service of \$187,277,934 projected for FY 2011-2012.

System	Debt Service
U. T.	\$ 108,542,691
TAMU	78,735,243
Total	\$ 187,277,934

Sources: U. T. System Office of Finance
and Texas A&M University
System Office of Treasury
Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF bond debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual net real return rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2011, was 2.29%, which indicates that the purchasing power was met.

Average Annual	Percent
Rate of Total Return	6.94%
Mineral Interest Receipts	2.65%
Expense Rate	(0.33)% (1)
Inflation Rate	(2.33)%
Distribution Rate	(4.64)%
Net Real Return	<u>2.29%</u>

(1) The expense rate as shown is a 10-year annualized average and includes all PUF Investment and PUF Land expenses, including the UTIMCO management fee, paid directly by the PUF. Management fees that are netted from asset valuations, and are not paid directly by the PUF are not included, as they are a reduction to the Rate of Total Return.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board (except as necessary to pay PUF bonds debt service).

Value of PUF Investments	Distribution	Distribution Rate	Maximum Allowed Rate
\$10,463,842,475	\$575,511,336	5.50%	7.00%

The spending policy objectives of the PHF and LTF are to

- a. provide a predictable stable stream of distributions over time;
- b. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- c. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The spending formula under the PHF Investment Policy Statement and the LTF Investment Policy Statement increases distributions at the rate of

inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each fund's respective trailing 12 fiscal quarters.

The 1.4% increase in the PHF distribution rate of \$0.0554 to \$0.0561 per unit was based on the PHF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 5.0%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy Statement.

The 1.4% increase in the LTF distribution rate from \$0.3172 to \$0.3215 per unit was based on the LTF's Investment Policy Statement to increase the distributions by the average rate of inflation for the trailing 12 quarters. The LTF's distribution rate calculated using the prior 12-quarter average value of the LTF is 5.2%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy Statement. The increase in the consumer price index for the prior three years as of November 30, 2010, was 1.4%.

The distribution rate for the ITF was originally set at 3.0% per annum for Fiscal Year 2007 by the U. T. Board on May 11, 2006, and has continued at that rate for each succeeding fiscal year. The recommendation for Fiscal Year 2012 was to continue a distribution rate of 3.0%.

2. U. T. San Antonio: Student Housing Phase III – Amendment of the FY 2011-2016 Capital Improvement Program to increase the total project cost; approval of transfer of funds from Laurel Village and Chaparral Village at UTSA projects; approval of reduction of total project costs for Laurel Village and Chaparral Village at UTSA projects; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

The Board approved the recommendations for the Student Housing Phase III project at The University of Texas at San Antonio as follows:

Student Housing Phase III

Project No.:	401-570		
Project Delivery Method:	Construction Manager-at-Risk		
Substantial Completion Date:	June 2013		
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$37,121,000	\$39,921,000
	Auxiliary Enterprises Balances	\$ 2,834,000	\$ 3,634,000
		\$39,955,000	\$43,555,000

Investment Metrics: By 2013

- Increase on-campus student housing by approximately 11% of the current campus goal for housing (5300 beds)
- Increase campus student housing by 618 beds

Laurel Village

Project No.:	401-211		
Project Delivery Method:	Construction Manager-at-Risk		
Substantial Completion Date:	June 2008		
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$43,182,000	\$42,182,000
	Auxiliary Enterprises Balances	\$ 1,000,000	\$ 280,000
		\$44,182,000	\$42,462,000

Chaparral Village at UTSA

Project No.:	401-139		
Project Delivery Method:	Construction Manager-at-Risk		
Substantial Completion Date:	June 2008		
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$42,000,000	\$40,900,000

- a. amend the FY 2011-2016 Capital Improvement Program (CIP) to increase the total project cost for the Student Housing Phase III project from \$39,955,000 to \$43,555,000;
- b. approve the transfer of funding of \$1,720,000 from the Laurel Village project with \$1,000,000 from Revenue Financing System Bond Proceeds and \$720,000 from Auxiliary Enterprises Balances to the Student Housing Phase III project;
- c. reduce the total project cost for the Laurel Village project from \$44,182,000 to \$42,462,000;
- d. approve the transfer of funding of \$1,100,000 from Revenue Financing System Bond Proceeds from the Chaparral Village at UTSA project to the Student Housing Phase III project;
- e. reduce the total project cost for the Chaparral Village at UTSA project from \$42,000,000 to \$40,900,000;
- f. appropriate additional funding of \$700,000 from Revenue Financing System Bond Proceeds and \$80,000 from Auxiliary Enterprises Balances to the Student Housing Phase III project;
- g. approve design development plans for the Student Housing Phase III project;
- h. appropriate funds and authorize expenditure of \$43,555,000 with funding of \$39,921,000 from Revenue Financing System Bond Proceeds and \$3,634,000 from Auxiliary Enterprises Balances for the Student Housing Phase III project;

- i. approve the evaluation of alternative energy economic feasibility;
and
- j. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the Student Housing Phase III project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$39,921,000.

Project Description

The new student dormitory will contain approximately 187,300 gross square feet to house 618 students and will be located on the Main Campus in close proximity to existing student housing and dining facilities as well as to the future campus recreation fields. The project will be a four-story complex with 300 double occupancy units, three single occupancy units, seven double occupancy Americans with Disabilities Act (ADA) compliant units, and one resident manager's unit. The increase in total project cost is due to impact from the mitigation of existing utilities and soil conditions, improved durability of exterior finishes, and an increase of 19,000 gross square feet to accommodate student needs including additional lounge spaces for student gatherings, laundry rooms on each floor, and additional communications rooms for use by multiple vendors providing Internet, cable, and phone service.

The goal stated in the Campus Master Plan is to provide campus housing for 20% of the student enrollment or approximately 5,300 beds based on the current enrollment. Currently, U. T. San Antonio provides approximately 1,678 beds and a private provider houses approximately 1,965 beds on campus for a combined total of approximately 3,643 beds. The addition of another 618 beds would bring the total of on-campus beds to 4,261. The

current student housing occupancy rate is 96.1% campus-wide. The waiting list for the 2010-2011 school year was 68 students. These students were accommodated at nearby hotels until campus housing became available.

Debt Service

The \$39,921,000 in Revenue Financing System debt for the Student Housing Phase III project will be repaid from housing revenues. Annual debt service on the \$39,921,000 Revenue Financing System debt is expected to be approximately \$2,700,000. The institution's debt service coverage is expected to be at least 1.4 times and average 1.8 times over FY 2011-2016.

Previous Board Actions

Student Housing Phase III

On May 13, 2010, the project was added to the CIP with a total project cost of \$39,955,000 with funding of \$37,121,000 from Revenue Financing System Bond Proceeds and \$2,834,000 from Auxiliary Enterprises Balances. On May 12, 2011, consideration of this project was deferred pending a review of the cost and nature of construction proposed for the project, which was satisfied on June 16, 2011.

Laurel Village

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$20,500,000 with funding from Revenue Financing System Bond Proceeds. On August 12, 2004, the Board approved the increase of the preliminary project cost from \$20,500,000 to \$27,000,000 with funding from Revenue Financing System Bond Proceeds. On November 5, 2004, the Board approved the design development plans and appropriated funding of \$27,000,000 from Revenue Financing System Bond Proceeds. With the adoption of the FY 2006-2011 CIP on August 11, 2005, the Board approved the increase in the total project cost from \$27,000,000 to \$35,620,000.

On August 8, 2006, the Chancellor approved the increase in the total project cost from \$35,620,000 to \$39,182,000 with additional funding of \$1,500,000 from Revenue Financing System Bond Proceeds transferred from the Chaparral Village project and an additional \$2,062,000 of Revenue Financing System Bond Proceeds. On November 16, 2006, the Board approved the increase in the total project cost from \$39,182,000 to \$44,182,000 with funding of \$500,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprises Balances transferred from the Chaparral Village project, for funding of \$43,182,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprises Balances.

Chaparral Village at UTSA

On February 14, 2002, the Student Housing Expansion - Phase I project was included in the CIP with a total project cost of \$12,000,000 with funding from

Revenue Financing System Bond Proceeds. On May 9, 2002, the Board approved the increase in total project cost from \$12,000,000 to \$16,200,000 with funding from Revenue Financing System Bond Proceeds.

On August 8, 2002, the Board approved the increase in total project cost from \$16,200,000 to \$19,000,000 and appropriated and approved expenditure of \$2,800,000 from Revenue Financing System Bond Proceeds.

On May 8, 2003, the Board approved the increase in total project cost from \$19,000,000 to \$45,000,000 with funding of \$44,000,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprises Balances. On February 11, 2004, the Assistant Vice Chancellor for Facilities Planning and Construction approved the nonhonorific naming of the project to the Chaparral Village at UTSA. On August 8, 2006, the Chancellor approved the decrease in total project cost from \$45,000,000 to \$43,500,000 with funding of \$42,500,000 from Revenue Financing System Bond Proceeds and \$1,000,000 transferred from the Laurel Village project and \$1,000,000 from Auxiliary Enterprises Balances. On November 16, 2006, the Board approved a decrease in total project cost from \$43,500,000 to \$42,000,000 with funding of \$500,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprises Balances transferred to the Laurel Village project, with funding of \$42,000,000 from Revenue Financing System Bond Proceeds.

The exterior appearance and finish are consistent with the Campus Master Plan and will enhance existing student housing. The building design has incorporated, and the project provides infrastructure to support planned future growth. This facility incorporates commercial standards and modular building practices. The interior appearance and finish are consistent with existing campus buildings and other U. T. System student housing.

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

3. U. T. Dallas: Student Housing Living Learning Center, Phase III - Amendment of the FY 2011-2016 Capital Improvement Program to include project; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

The Board amended the Fiscal Year 2011-2016 Capital Improvement Program (CIP) to include the Student Housing Living Learning Center, Phase III project at The University of Texas at Dallas as set forth below:

Project No.:	302-640	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	July 2012	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$29,000,000
	Unexpended Plant Funds	<u>\$ 2,000,000</u>
		\$31,000,000
Investment Metric:	This residence hall will directly support the University's Strategic Plan Imperative of adding 5,000 full-time equivalent students by 2017, creating a total student population of 21,000.	

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of \$29,000,000 from Revenue Financing System Bond Proceeds and \$2,000,000 from Unexpended Plant Funds;
- c. approve the evaluation of alternative energy economic feasibility; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$29,000,000.

Debt Service

The \$29,000,000 in aggregate Revenue Financing System debt will be repaid from housing revenues. Annual debt service on the \$29,000,000 Revenue Financing System debt is expected to be \$1,886,000. The institution's debt service coverage is expected to be at least 2.0 times and average 2.4 times over FY 2011-2016.

Project Description

This phase of student housing is a site adaptation of the design of two successful previous phases. As with the previous two phases, this phase proposes to contain approximately 150,000 gross square feet (GSF) to house 400 students as well as classrooms, gathering spaces, and offices to support living and learning communities. These beds will be reserved for use by incoming freshman students. The project will also include parking, connector roads, and outdoor recreational facilities.

Current student housing is operating at 100% occupancy. U. T. Dallas provides approximately 2,298 beds and a private provider houses approximately 2,056 on campus. The addition of the Student Housing Living Learning Center, Phase II with 400 beds opening in Fall 2011, already has a waiting list of 375 students. The total number of on-campus beds will increase to 5,154 upon completion of Phase III.

This project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

The total project cost range for this building type from the "Office of Facilities Planning and Construction Building Type Cost Database" is \$215/gross square foot (GSF) - \$395/GSF, with an average of \$277/GSF. This project's total project cost/GSF is \$215/GSF, which is at the lowest of the building type range. Similarly, the cost-per-bed for this project is approximately \$76,730/bed, well below the average.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy

Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

4. U. T. Brownsville: Approval of updated Campus Master Plan to revise real estate acquisitions zone

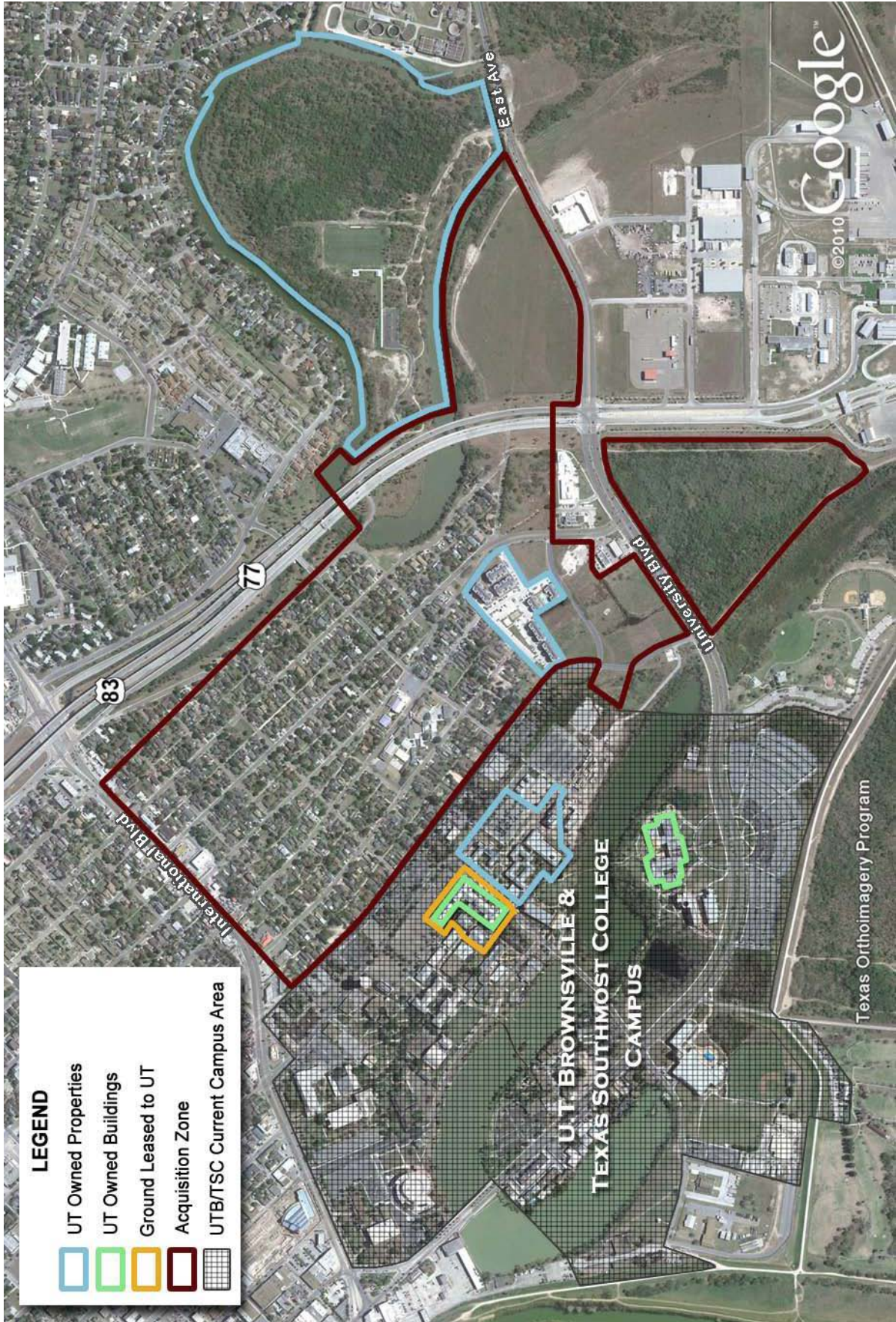
The Board approved an update to the Campus Master Plan for The University of Texas at Brownsville to revise the real estate acquisitions zone.

The Campus Master Plan for U. T. Brownsville was approved by the Board of Regents on May 11, 2000. The approved Campus Master Plans for all 15 institutions were subsequently included in a single bound volume as directed by the Board on November 16, 2000. Since that time, some institutions have presented updates of their Campus Master Plans to the Board.

A common element in many of the institutions' master plans is a real estate acquisitions zone. The acquisitions zone is intended to reflect anticipated, long-term future needs of the institution as it manages its enrollment and programmatic offerings.

Given the planned separation of U. T. Brownsville and Texas Southmost College, U. T. Brownsville and U. T. System staff members reviewed real estate needs for the future campus of U. T. Brownsville. As a result of that review, staff members developed the proposed real estate acquisitions zone that is depicted on the map that follows. The acquisitions zone is intended to be a long-range forecast of the land needed as U. T. Brownsville plans for and builds its future.

The acquisitions zone totals approximately 180 acres. Acquisitions would be made over an extended period of time. Approval of the acquisitions zone permits negotiated, voluntary acquisitions only for properties with a purchase price of \$1 million or less. In accordance with Regents' *Rules and Regulations*, Rules 10501 and 70301, acquisitions exceeding \$1 million will be brought to the Board for approval as and when an acquisition within the zone is proposed.



5. U. T. Arlington: Approval of change in athletic conference membership to join the Western Athletic Conference

Chairman Powell reported that an additional item was posted with the Secretary of State regarding a change in athletic conference membership at The University of Texas at Arlington.

The Board approved that U. T. Arlington accept an invitation from the Western Athletic Conference (WAC) and, subject to approval of the Vice Chancellor and General Counsel, finalize terms for athletic conference membership.

Officials at the WAC contacted U. T. Arlington in mid-June to initiate a discussion about the possibility of U. T. Arlington leaving the Southland Conference to join the WAC. U. T. San Antonio is the only other University of Texas System institution that is a member of the WAC (U. T. El Paso was formerly a member of the WAC).

The Commissioner of the WAC, Mr. Karl Benson, visited U. T. Arlington's campus on June 29, 2011, to meet with President Spaniolo and U. T. Arlington Athletic Director, Mr. Pete Carlon, to discuss the possible move. On July 5, 2011, Commissioner Benson notified President Spaniolo that the presidents of the nine universities comprising the current WAC membership, including President Romo of U. T. San Antonio, had voted unanimously to extend an invitation to U. T. Arlington to join the conference. The effective date of the move would be July 1, 2012. (The nine current members of the WAC are: University of Denver, University of Idaho, Louisiana Tech University, New Mexico State University, San Jose State University, Seattle University, U. T. San Antonio, Texas State University, and Utah State University.) Like U. T. Arlington, the University of Denver and Seattle University are non-football playing members of the WAC. The WAC is a bowl subdivision conference where football is important, but U. T. Arlington's invitation is not conditioned on U. T. Arlington starting a football program.

The invitation to join the WAC is a singular opportunity for U. T. Arlington to join a highly regarded national athletic conference and is a significant recognition of U. T. Arlington and its intercollegiate athletics program. The WAC has an excellent reputation and a very strong competitive profile, both in athletics and academics. U. T. Arlington has determined that a move to the WAC is consistent with the University's strategic plan to increase its national prominence in support of its goal to become a major national research university.

Competing in the WAC would leverage U. T. Arlington's efforts to upgrade the competitiveness of its 14 sports teams, particularly in men's and women's basketball. U. T. Arlington's entry into the WAC would coincide with the University's first full season in the new College Park Center in Fall 2012. The combination of a new athletic conference and a new special events

center will generate pride among alumni, fans, and the surrounding community.

The exit fee payable to the Southland Conference and the entrance fee payable to the WAC will be covered through a combination of Athletic Department funds, institutional funds, and revenues generated by the new College Park Center. Revenues generated by the WAC from television and the NCAA are significantly greater than those earned by the Southland Conference.

RECESS TO EXECUTIVE SESSION.--At 12:32 p.m., Chairman Powell announced a quorum present and said the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 5:40 p.m., the Board reconvened in open session for the following actions taken on matters discussed in Executive Session.

- 1a. U. T. Brownsville: Authorization to purchase approximately 4.79 unimproved acres in three separate parcels located at the south end of Ringgold Street and its intersection with East 25th Street along the east and west sides of the elevated U.S. Highways 77/83, Brownsville, Cameron County, Texas, from the Texas Department of Transportation (TxDOT), for a purchase price not to exceed fair market value as established by an independent appraisal for use for future planned campus expansion, and to enter into a multiple use agreement with TxDOT for the shared use of approximately 6.71 unimproved acres that are contiguous to the 4.79 acres and beneath the elevated section of U.S. Highways 77/83 to control access to other campus land

Regent Stillwell moved that, on behalf of The University of Texas at Brownsville, the Board of Regents take the following actions on four property acquisitions described in Items 1a - 1d and located in Brownsville, Cameron County, Texas, for use for future planned campus expansion. Each purchase price would not exceed fair market value as established by one or more independent appraisals:

- a. authorize the purchase of approximately 4.79 unimproved acres in three separate parcels located at the south end of Ringgold Street and its intersection with East 25th Street along the east and west sides of the elevated U.S. Highways 77/83 from the Texas Department of Transportation (TxDOT), and the execution of a multiple use agreement with TxDOT for the shared use of approximately 6.71 unimproved acres that are contiguous to the 4.79 acres and beneath the elevated section of U.S. Highways 77/83 to control access to other campus land;

- b. authorize the purchase of approximately 23 unimproved acres being out of the Espiritu Santo Grant Share 19 and Veteran's Subdivision Phase 1, Reserve Areas A and/or B, located immediately east of U.S. Highways 77/83 on the north side of East Avenue, from Mr. Abraham Galonsky and Mr. Israel Lizka, their successors or assigns;
- c. authorize the purchase of approximately 3 unimproved acres being Lot 1, Block 1, and Reserve Area B, Veteran's Subdivision Phase 1, from SSP Partners, Inc., a Texas corporation;
- d. authorize the purchase of approximately 3.2 unimproved acres being Lots 6, 8, and 9, Block 2, University Park Subdivision, Unit # 1, from Canlong Investments, Ltd., a Texas limited partnership;
- e. authorize the expenditure of all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the properties described above as deemed necessary or advisable by the Executive Director of Real Estate;
- f. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing actions within the parameters outlined in Executive Session; and
- g. with respect to the properties described in parts b., c., and d., above, resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System the findings that are stated in Attachment A to this motion, which has been provided to each member of the Board and which shall be included in the Minutes of this meeting.

The motion was seconded by Regent Gary and carried unanimously.

ATTACHMENT A TO MOTION FROM EXECUTIVE SESSION

July 14, 2011

- Parity debt shall be issued to fund a portion of the purchase price of the properties described in parts b., c., and d. of the Motion, including any costs prior to the issuance of such parity debt;
- Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the RFS Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- U. T. Brownsville, which is a “Member” as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of parity debt in an aggregate amount not to exceed \$10,000,000; and
- This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board’s intention to reimburse project expenditures with bond proceeds.

- 1b. U. T. Brownsville: Authorization to purchase approximately 23 unimproved acres being out of the Espiritu Santo Grant Share 19 and Veteran's Subdivision Phase 1, Reserve Areas A and/or B, located immediately east of U.S. Highways 77/83 on the north side of East Avenue, Brownsville, Cameron County, Texas, from Mr. Abraham Galonsky and Mr. Israel Lizka, their successors or assigns, for a purchase price not to exceed fair market value as established by independent appraisals for use for future planned campus expansion for U. T. Brownsville

See Item 1a for action taken on this item, and see related Items 1c and 1d.

- 1c. U. T. Brownsville: Authorization to purchase approximately 3 unimproved acres being Lot 1, Block 1, and Reserve Area B, Veteran's Subdivision Phase 1, Brownsville, Cameron County, Texas, from SSP Partners, Inc., a Texas corporation, for a purchase price not to exceed fair market value as established by independent appraisals for use for future planned campus expansion for U. T. Brownsville

See Item 1a for action taken on this item, and see related Items 1b and 1d.

- 1d. U. T. Brownsville: Authorization to purchase approximately 3.2 unimproved acres being Lots 6, 8, and 9, Block 2, University Park Subdivision, Unit # 1, Brownsville, Cameron County, Texas, from Canlong Investments, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for use for future planned campus expansion for U. T. Brownsville

See Item 1a for action taken on this item, and see related Items 1b and 1c.

2. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 3a. U. T. System: Discussion of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees including employees covered by Regents' Rules and Regulations, Rule 20204, regarding compensation for highly compensated employees, and Rule 20203, regarding compensation for key executives

No action was taken on this item.

- 3b. U. T. System: Discussion regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for the fiscal year ending August 31, 2012

No action was taken on this item.

- 4a. U. T. Arlington: Approval of proposed negotiated gifts with potential naming features

Vice Chairman Hicks moved that the Board of Regents authorize the presidents of The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas - Pan American, The University of Texas at San Antonio, and The University of Texas M. D. Anderson Cancer Center and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept gifts to benefit those institutions with potential naming features consistent with the terms outlined in Executive Session.

The motion was seconded by Vice Chairman Foster and carried, with Chairman Powell and Vice Chairman Foster noting their abstention from discussion and vote because of financial interests in one of the potential donor entities.

- 4b. U. T. Dallas: Approval of proposed negotiated gifts with potential naming features

See Item 4a for approval.

- 4c. U. T. Pan American: Approval of proposed negotiated gifts with potential naming features

See Item 4a for approval.

- 4d. U. T. San Antonio: Approval of proposed negotiated gifts with potential naming features

See Item 4a for approval.

- 4e. U. T. M. D. Anderson Cancer Center: Approval of proposed negotiated gifts with potential naming features

See Item 4a for approval.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on August 24-25, 2011, in Austin, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 5:42 p.m.

/s/ Carol A. Felkel
Secretary to the Board of Regents

July 15, 2011