

FINANCE AND PLANNING COMMITTEE
Committee Chairman Hunt

Date: November 8, 2001
Time: Following the Meeting of the Executive Committee
Place: Room 401, Robert R. Muntz Library, U. T. Tyler

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1. U. T. System: Recommendation to Approve Chancellor's Docket No. 107

RECOMMENDATION

It is recommended that Chancellor's Docket No. 107 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. System: Recommended Approval of the System-wide Internal Audit Plan for Fiscal Year 2002

RECOMMENDATION

The Chancellor concurs in the recommendation of the Finance and Planning Committee of the U. T. Board of Regents that the proposed U. T. System Internal Audit Plan for Fiscal Year 2002 be approved. The development of the Internal Audit Plan is based on risk assessments performed at each component institution. The implementation of the Plan will be coordinated with the institutional auditors. Copies of the U. T. System Administration and component institution Audit Plans and the Summarized Audit Plans are on file in the Office of the Board of Regents.

BACKGROUND INFORMATION

Institutional Audit Plans, compiled by the internal audit departments after input and guidance from the System Audit Office and the institution's management and Internal Audit Committee, were submitted to all Internal Audit Committees and institutional presidents for review and comments.

The Director of Audits provided feedback by conducting audit hearings with each component institution. After the review process, each Internal Audit Committee formally approved its institution's Plan. The Audit Plans were also reviewed by the Chancellor, the Acting Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the System Director of Audits.

The U. T. System Internal Audit Plan addresses the risks of the U. T. System by planning audits as follows:

Auditable Area	Audit Hours	Percent of Total Hours
Key Financial and Operating Information	23,352	15%
Institutional Compliance Audits	23,940	15%
Information Technology Audits	19,562	12%
Risk-Based Audits	34,912	22%
Projects	47,408	29%
Change in Management Departmental Audits	10,879	7%
Total	160,053	100%

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

REPORT

Pages 23 - 29 contain the Summary Reports on Investments for the fiscal quarter ended August 31, 2001.

Item I on Pages 23 - 24 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 negative 2.96% versus the neutral policy portfolio return of negative 2.44%.

Item II on Pages 25 - 27 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund's (PHF) and Long Term Fund's (LTF) 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 negative 2.74% versus the neutral policy portfolio return of negative 2.44%.

Item III on Page 28 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.58% for the quarter versus the SITF's performance benchmark of 2.10%.

Item IV on Page 29 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, decreased by \$82 million to \$873 million during the fourth quarter. Asset values for the remaining asset classes were fixed income securities: \$113 million versus \$111 million at previous quarter-end; equities: \$167 million versus \$181 million at previous quarter-end; and other investments of \$17 million versus \$7 million at previous quarter-end.

4. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 2001

REPORT

Texas Education Code Section 66.05 requires that a report on Permanent University Fund (PUF) investments be prepared by the U. T. Board of Regents and distributed to the Governor, members of the Legislature, and other State Officials. The report is prepared by The University of Texas Investment Management Company (UTIMCO) at the direction of the Board of Regents and approved by the UTIMCO Board of Directors' Audit and Ethics Committee.

UTIMCO has prepared a report on PUF investments for the fiscal year ended August 31, 2001, that includes the annual audited financial statements and additional schedules as required by Texas Education Code Section 66.05. The report will be considered by the Audit and Ethics Committee of the UTIMCO Board on November 5, 2001.

Upon acceptance of the report, it will be distributed as required by law.

5. U. T. Board of Regents: Proposed Amendments to the Bylaws 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 U. T. Board of Regents amend the UTIMCO Bylaws as set forth on Pages 31 - 35 in congressional style.

ARTICLE I
STRUCTURE AND PURPOSES

Section 4. Approval by System. . . .The Corporation shall file ~~[quarterly]~~ reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

ARTICLE II
OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at ~~[Claudia Taylor Johnson Hall, Second Floor, 210] 221 West 6th Street, Suite 1700,~~ Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

ARTICLE III
BOARD OF DIRECTORS

Section 3. Appointment and Term. Except for those Directors named in the Articles of Incorporation, Directors shall be appointed by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he remains Chancellor of the System. Until otherwise changed by the Board of Regents in compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors"). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year, except that the term of one of the current Directors shall end on April 1, 2001, the term of two (2) of the current Directors shall end on April 1, 2002, and the term of two (2) of the current Directors shall end on April 1, 2003. No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the ~~[earlier to occur of (i) the]~~ expiration of

such Director's term, or until such Director's successor has been chosen and qualified, or until [(ii)] such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 5A. Nominations; Nominating Committee. Upon the occurrence of a vacancy in the office of Director (other than in the office of an Affiliated Director), the Board of Directors shall submit to the Board of Regents the name of a nominee to fill such vacancy. . . .

Section 7. Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday [first business day] of the month of April [October] of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

Section 8. Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held [bi-monthly] at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required.

Section 10. Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, such notice only need be provided at least two (2) hours before the meeting is convened. ~~[Unless otherwise indicated in such notice, any and all matters pertaining to the Corporation's purposes may be considered and acted upon at such meeting. At any such meeting at which every Director shall be present even though without notice, any matter pertaining to the Corporation's purposes may be considered and acted upon.]~~

Section 12. Voting. Directors must vote in person and proxy voting is prohibited ~~[To the extent permitted by applicable law, a Director may vote in person or by proxy executed in writing by the Director. No proxy shall be valid after three (3) months from the date of its execution. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and unless otherwise made irrevocable by law].~~

Section 13. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board shall preside. In the absence of the Chairman of the Board and the Vice Chairman of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present. . . .

ARTICLE IV COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the Audit and Ethics Committee of the Corporation. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

ARTICLE V OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time

beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6[5]. Powers and Duties of the President.

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Section 7[6]. Powers and Duties of the Treasurer.

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Section 8[7]. Powers and Duties of the Secretary.

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ARTICLE VI MISCELLANEOUS PROVISIONS

Section 5. Open Meetings. The Board of Directors shall conduct open meetings in accordance with Texas Education Code Section 66.08(h). The President is required to provide notice of such meetings in accordance therewith. ~~[Action Without a Meeting by Directors or Committees; Telephone Meetings.~~ To the extent permitted by applicable law, any action required by law or these Bylaws to be taken at a meeting of the Board of Directors or any committee, or any action which may be taken at a meeting of the Board of Directors or of any committee thereof may be taken without such a meeting if a consent in writing, setting forth the action to be

~~taken, shall be signed by all of the Directors or members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State. Subject to the requirements of law for notice of meetings, unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors or members of any committee may participate in and hold a meeting of such Board of Directors or committee, as the case may be, by means of a conference telephone, or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened].~~

BACKGROUND INFORMATION

Texas Education Code Section 66.08 requires that the U. T. Board of Regents approve all amendments to UTIMCO Bylaws. The proposed amendments to the Bylaws are recommended to realign the terms of the Board of Directors with Regental appointments, to conform with open meeting provisions, to change the date for the annual meeting, and to provide for general administrative changes. The proposed amendments will be considered by the UTIMCO Board at its meeting on October 26, 2001.

6. U. T. System: Request for Approval of Regental Policy on Student Travel

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting 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 a new Regental Policy relating to student travel be approved as set forth on Pages 36 - 38.

POLICY ON STUDENT TRAVEL

1. Consistent with the requirements of Texas Education Code Section 51.949, each component institution shall adopt rules and regulations governing student travel as defined in this Policy. Such rules and regulations, at a minimum, shall comply with this Policy and become effective upon approval by the appropriate Executive Vice Chancellor. Approved rules and regulations shall be published in the institutional Handbook of Operating Procedures and catalogs and filed with the Texas Higher Education Coordinating Board.
2. This Policy is applicable to student travel undertaken by one or more currently enrolled students to reach an activity or event that meets all of the following criteria:
 - a. An activity or event organized and sponsored by the component institution. An activity or event is considered to be organized and sponsored if it has been planned and funded by the component institution and approved by a designated administrator;
 - b. The activity or event is located more than 25 miles from the component institution; and
 - c.
 - (i) Travel to the activity or event is funded and undertaken using a vehicle owned or leased by the component institution; or
 - (ii) Attendance at the activity or event is required by a registered student organization and approved in accordance with this Policy.
3. Registered student organizations that require their members to travel 25 miles or more from the institution to attend an activity or event covered by this Policy must obtain prior written approval for the proposed travel by the appropriate institutional officer.
4. The rules and regulations adopted by a component institution shall incorporate the following provisions concerning safety and modes of travel likely to be used by students:
 - a. All Motor Vehicle Travel.

Seat Belts:
Occupants of motor vehicles shall use seat belts or other approved safety restraint devices required by law or regulation at all times when the vehicle is in operation.

Alcohol and Illegal Substances Prohibited:

Occupants of motor vehicles shall not consume, possess, or transport any alcoholic beverages or illegal substances.

Passenger Capacity:

The total number of passengers in any vehicle at any time it is in operation shall not exceed the manufacturer's recommended capacity or the number specified in applicable federal or State law or regulations, whichever is lower.

License and Training:

Each operator of a motor vehicle shall have a valid operator's license and be trained as required by law to drive the vehicle that will be used.

Proof of Insurance, Inspection, and Safety Devices:

Each motor vehicle must have a current proof of liability insurance card and State inspection certification, be equipped with all safety devices or equipment required by federal or State law or regulation, and comply with all other applicable requirements of federal or State law or regulations.

Legal Operation of Vehicle and Driving Schedule:

Operators of motor vehicles shall comply with all laws, regulations, and posted signs regarding speed and traffic control and shall not operate the vehicle for a continuous period that is longer than the maximum provided by federal or State law or regulations or guidelines promulgated by the component institution, whichever is lower, without scheduled rest stops or overnight stops.

- b. Travel Using a Vehicle Owned or Leased by a Component Institution.

Service and Maintenance:

In addition to those provisions in Item 4.a., each vehicle owned or leased by a component institution must be subject to scheduled periodic service and maintenance by qualified persons and comply with all applicable requirements of The University of Texas System Business Procedure Memoranda.

Operators of Vehicles:

All operators of vehicles owned or leased by a component institution shall be employees of the component institution and shall have a valid

operator's license for the operation of the particular vehicle. In addition, operators shall have a current Motor Vehicle Record on file with the designated office of the component institution.

c. Travel Using Rented Vehicles.

In addition to those provisions specified in Item 4.a., each component institution shall adopt rules concerning the use of rental vehicles for travel covered by this Policy. The rules shall comply, where applicable, with the State contracts for rental cars and all applicable requirements of The University of Texas System Business Procedure Memoranda.

d. Travel by Common Carrier.

When a common carrier is used for student travel covered by this Policy, each component institution shall take reasonable steps to assure the travel is undertaken in conformance with this Policy.

BACKGROUND INFORMATION

The proposed Policy on Student Travel is recommended to meet the requirements of Texas Education Code Section 51.949 which was enacted by the 77th Texas Legislature.

The Policy regulates certain student travel sponsored, supported, or sanctioned by a component institution. The Policy was written by the U. T. System Office of General Counsel and has been reviewed by representative student groups on each campus. There are no significant adverse fiscal implications to the proposed Policy.

7. U. T. El Paso: Request for Approval to Purchase Real Property Located at 3003 North Mesa Street, El Paso, El Paso County, Texas; Authorization to Submit a Request to the Coordinating Board for Approval of the Transaction; Authorization to Execute All Documents Related Thereto; Approval to Appropriate Funds and Authorize 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 Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that authorization be granted by the U. T. Board of Regents, on behalf of U. T. El Paso, to:

- a. Purchase real property located at 3003 North Mesa Street, El Paso, El Paso County, Texas, from Rudolph Automotive Corporation, El Paso, Texas, for \$4,100,000, and permit the seller to occupy the site rent-free until December 31, 2002, as a condition of purchase
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of this transaction
- c. Appropriate funds and authorize expenditure totaling \$4,100,000 from Revenue Financing System Bond Proceeds
- d. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

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 41, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the purchase price, including any 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. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$4,100,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The subject property is comprised of approximately 6.438 acres of land and improvements and is further described as Lot 2 and a portion of Lot 1, University Center, an addition to the City of El Paso, El Paso County, Texas. The property is located north of the Don Haskins Special Events Center on the northeast perimeter of the U. T. El Paso campus. The property is strategically important to U. T. El Paso to ensure capacity for future growth, and it has been included in the Campus Master Plan for many years.

U. T. El Paso believes that purchasing the subject property at this time is an appropriate investment to ensure the orderly long-term development of the largely landlocked campus. Failure to purchase the property would likely result in its fragmentation into multiple parcels with multiple owners and uses which may not be compatible with the campus climate and would complicate acquisition of the property at a later date.

The purchase price of \$4,100,000 is below the MAI appraised value of \$4,700,000. Funding for the purchase will be from revenue bonds to be repaid from designated tuition. Debt service is projected to be \$138,375 in FY 2002 assuming a 4.5% short-term borrowing rate. In FY 2003, the annual debt service is projected to be \$357,457 based on a 6.0% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage based on the designated tuition budget is expected to be at least 3.3 times, and overall debt service coverage for the component institution is expected to be at least 1.5 times. The financing forecast for this project is set forth on Page 42.

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 purchase of Lot 2 and a portion of Lot 1, University Center, an addition to the City of El Paso, El Paso County, Texas, 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, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 12th day of October, 2001

/s/ Philip R. Aldridge
Assistant Vice Chancellor for Finance

8. U. T. El Paso - University Bookstore Expansion and Renovation Project: Request for Approval to Appropriate Funds and Authorize 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 Natalicio that the U. T. Board of Regents appropriate and authorize expenditure of \$800,000 from Revenue Financing System Bond Proceeds for the University Bookstore Expansion and Renovation Project at U. T. El Paso.

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 45, 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. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$800,000

- 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 Bookstore at U. T. El Paso has operated in the same space for approximately 25 years. Institutional growth and the significant expansion of degree programs have caused the University Bookstore to outgrow its current space. The cost of the expansion and renovation of the bookstore is estimated at \$800,000. While this project size is below the required review threshold of the U. T. Board of Regents, Board approval is needed for the issuance of bonds.

The debt is to be repaid from revenues generated by the bookstore. Debt service during the construction period is projected to be \$27,000 in FY 2002 assuming a 4.5% short-term borrowing rate. In FY 2003, the annual debt service is projected to be \$69,748 based on a 6.0% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage on the project is expected to be at least 10.2 times, and overall debt service coverage for the component institution is expected to be at least 1.5 times. The financing forecast for this project is set forth on Page 46.

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 expansion and renovation cost of the University Bookstore at U. T. El Paso, 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, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 24th day of September, 2001

/s/ Philip R. Aldridge
Assistant Vice Chancellor for Finance

9. U. T. System: Discussion of Issues Related to the U. T. System-wide Comprehensive Property Protection Program

REPORT

The Chancellor will outline issues related to the U. T. System-wide Comprehensive Property Protection Program.

INFORMATIONAL REPORTS

1. U. T. System: Status Report on Deregulation Initiative

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will report on the status of the U. T. System-wide deregulation initiative.

2. U. T. System: Report of the Energy Utility Taskforce

REPORT

Mr. Philip Aldridge, Assistant Vice Chancellor for Finance, will discuss the report of the Energy Utility Taskforce. The Taskforce report was mailed to members of the Board of Regents on October 5, 2001.

3. U. T. System: Progress Report for Fiscal Year 2001 on the Historically Underutilized Business (HUB) Program

REPORT

Mr. Lewis Wright, Associate Vice Chancellor for Business Affairs, will present a progress report for Fiscal Year 2001 on the U. T. System Historically Underutilized Business (HUB) Program.

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

REPORT

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