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OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Wednesday, February 13, 2002**
Time: **1:30 p.m.**
Place: **San Antonio Ballroom A/B, The Westin La Cantera Resort Hotel,
San Antonio, Texas**

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Date: **Thursday, February 14, 2002**
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Place: **Regents' Room, 4th Floor, John Peace Library Building, U. T. San Antonio**

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ADJOURN

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: **Wednesday, February 13, 2002**

Time: **1:30 p.m.**
Place: San Antonio Ballroom A/B, The Westin La Cantera
Resort Hotel, San Antonio, Texas
Purpose: Convene in Open Session for Annual Meeting with
Officers of the U. T. System Employee Advisory
Council

See Pages 1 - 2, Items A - B

Time: **3:00 p.m.**
Place: San Antonio Ballroom A/B, The Westin La Cantera
Resort Hotel, San Antonio, Texas
Purpose: Recess to Executive Session

See Page 3, Item C

Time: **4:30 p.m.**
Place: San Antonio Ballroom A/B, The Westin La Cantera
Resort Hotel, San Antonio, Texas
Purpose: Reconvene in Open Session to Consider Action on
Executive Session Items and Recess

See Page 3, Item D

Date: **Thursday, February 14, 2002**

Time: **8:30 a.m.**
Place: Regents' Room, 4th Floor, John Peace Library
Building, U. T. San Antonio, 1604 Campus
Purpose: Reconvene in Open Session to Continue Until
Completion of Business

See Pages 4 - 83, Items E - O

Telephone Numbers

President Romo's Office	(210) 458-4101
The Westin La Cantera Resort Hotel 16641 La Cantera Parkway	(210) 558-6500

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

Date: **Wednesday, February 13, 2002**

Time: 1:30 p.m.

Place: San Antonio Ballroom A/B, The Westin La Cantera Resort Hotel,
San Antonio, Texas

A. CALL TO ORDER

B. CONVENE IN OPEN SESSION

U. T. System: Annual Meeting with the Employee Advisory Council

The University of Texas System Employee Advisory Council (EAC) will meet with the Board to discuss accomplishments of the Council to date and plans for the future.

AGENDA

1. Executive Committee and Standing Committee Member Introductions*
2. Chairman's Report and Overview
 - Mission

 - Accomplishments
 - Approving organizational guidelines
 - Electing an Executive Committee
 - Establishing standing committees
 - Initiating research to establish goals

 - Fiscal Year 2002 Goals
 - Developing a Web site
 - Developing standing committees
 - Producing communication strategies
 - Creating a repository for historical records

3. Executive Committee and Standing Committee Remarks
- Focus Issues
 - Retirement benefits
 - Component communication and internal EAC communication
 - Best practice compensation issues
 - Policy

 - Future Challenges
 - Deregulation issues to address employee parking and employee benefits for education

*EAC Members scheduled to attend are:

Chair: Ms. Lorraine Etkin, The University of Texas M. D. Anderson Cancer Center

Vice Chair: Mr. Walter Tenery, The University of Texas at Arlington

Secretary: Ms. Lee Arisano, The University of Texas at El Paso

Historian: Ms. Sherill Boline, The University of Texas System Administration

Communications Chair: Mr. John Poindexter, The University of Texas at San Antonio

Benefits Chair: Ms. Terri Reynolds, U. T. San Antonio

Policy Chair: Mr. Robert Vasquez, The University of Texas - Pan American

Compensation Chair: Ms. Shirley Zwinggi, The University of Texas Southwestern Medical Center at Dallas

C. RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE, CHAPTER 551)

1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. U. T. Health Science Center – Houston: Proposed Settlement of Medical Liability Claim
 - b. U. T. Health Science Center – San Antonio: Proposed Settlement of Medical Liability Litigation
 - c. U. T. System: Consultation with Attorney Regarding Legal Issues
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074
 - a. U. T. San Antonio: Consideration of Recommendation of Hearing Tribunal Regarding Termination of Tenured Faculty Member
 - b. U. T. Health Center - Tyler: Consideration of Personnel Matters Relating to Presidential Search
 - c. U. T. System: Consideration of Personnel Matters Relating to Chancellor Search
 - d. U. T. System: Consideration of Personnel Matters Relating to Evaluation of Presidents and U. T. System Executive Officers

D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS AND RECESS

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

Date: **Thursday, February 14, 2002**

Time: 8:30 a.m.

Place: Regents' Room, 4th Floor, John Peace Library Building,
U. T. San Antonio

- E. RECONVENE IN OPEN SESSION

- F. WELCOME BY PRESIDENT ROMO

- G. REMARKS CONCERNING PRESENTATION OF CERTIFICATE OF APPRECIATION FOR FORMER VICE-CHAIRMAN ROMERO AND WELCOME TO REGENT ESTRADA

- H. APPROVAL OF MINUTES OF REGULAR MEETING HELD NOVEMBER 7-8, 2001, AND SPECIAL MEETINGS HELD DECEMBER 10 AND 13, 2001

- I. SPECIAL ITEMS

- 1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 (Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents)

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 One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22, regarding delegation of authority to execute contracts, be amended to add new Subparagraph 9.229 as set forth below in congressional style:

- 9.22 All contracts or agreements, including purchase orders and vouchers, with a cost or monetary value to the U. T. System Administration or the component institution of more than \$1,000,000 must be approved by the Executive Committee of the Board or approved by the Board via the docket or the agenda except the following, which do not require prior approval by the Executive Committee of the Board or the Board regardless of the contract amount:

...

9.229 Contracts or agreements for utility services or energy resources and related services, if any, which contracts or agreements have been approved in advance by the Chancellor or the Chancellor's delegate.

BACKGROUND INFORMATION

Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 of the Regents' Rules and Regulations limits the authority delegated to the presidents under Part Two, Chapter XI, Section 1 to sign contracts on behalf of the U. T. Board of Regents to contracts with a value of \$1,000,000 or less, except in the case of certain enumerated types of contracts.

As a result of the dollar limitation on delegated authority to sign contracts, various contracts for utility services or energy resources have been submitted to the U. T. Board of Regents recently for approval on an emergency basis. For example, on June 27, 2001, the Board authorized U. T. Austin to amend its gas sale contract with Coral Energy Resources, L.P. On December 10, 2001, the U. T. Board of Regents authorized U. T. M. D. Anderson Cancer Center to negotiate and enter into a contract with Reliant Energy.

During the December 10, 2001 special meeting of the U. T. Board of Regents, Chairman Miller suggested that staff review the dollar limitation on delegated signature authority for utility contracts and for contracts for goods and services in general. A review by staff is ongoing with respect to the \$1,000,000 limitation as it applies to contracts for goods and services in general.

The proposed amendment to Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 of the Regents' Rules and Regulations will address immediately the specific issue of contracts for utility services and energy resources. The amendment creates an exception to the \$1,000,000 limitation for such contracts and permits the president of the institution to sign a utility service or energy resources contract on behalf of the U. T. Board of Regents if the contract has received the prior approval of the Chancellor or the Chancellor's delegate.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivisions 1.83 and 1.84 (Academic Titles)

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 the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, regarding academic titles, be amended as set forth below in congressional style:

- 1.83 The following academic titles may also be used by the component institutions. Tenure cannot be awarded to a person appointed to these titles and, with the exception of the titles of Instructor and Technical Instructor, academic service with these titles cannot be counted toward the satisfaction of any maximum probationary period. Appointments to these titles shall be for a period of time not to exceed one academic year except in the case of Lecturer or Senior Lecturer when, in individual cases, appointment may be for periods of time not to exceed three academic years. In individual cases, as determined by a component institution, full-time or part-time appointment to a clinical or research position with a title authorized by Subdivision 1.83(i) may be for periods of time not to exceed three academic years. With the exception of the titles of Instructor and Technical Instructor, such appointments shall terminate at the expiration of the stated period of appointment without notification of nonrenewal. If a component institution determines that it is to the benefit of the institution, it may offer reappointments to these titles in accordance with Subsection 1.7 of this Chapter.

...

(i) Persons appointed to full-time positions for the primary purpose of ~~[research activities,]~~ patient care~~[,]~~ and other service activities or to full-time or part-time positions for the primary purpose of research activities shall be given one of the following titles, even though the individuals may be assigned teaching responsibilities:

(1) Professor of

(title of specialty)

(2) Associate Professor of

(title of specialty)

(3) Assistant Professor of

(title of specialty)

(4) Instructor in

(title of specialty)

For persons appointed to positions pursuant to this Item, all appointment letters, personnel forms, budgets and other official documents shall state in parenthesis following the name and title of the individual either "(nontenure-track clinical appointment)" or "(nontenure-track research appointment)," as appropriate, and service in such positions shall not be credited as faculty service toward calculation of any maximum probationary period.

1.84 Prefixes to academic and staff positions in which tenure cannot be acquired:

...
(c) Clinical Professor, Clinical Associate Professor, Clinical Assistant Professor, and Clinical Instructor. These titles may be used by the components to designate regular part-time or full-time service on the faculty while involved in a professional ~~[health professions]~~ clinical experience program. Appointments to the faculty with a clinical title may be with or without pay and shall be for a period of time not to exceed three ~~[one]~~ academic years. Such appointments shall terminate upon expiration of the stated period of appointment without notification of nonrenewal. If a component determines that it is to the benefit of the institution, it may offer reappointment to a clinical faculty member in accordance with Subsection 1.7 of this Chapter.

....

BACKGROUND INFORMATION

The recommended amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8 will allow component institutions to expand the use of Clinical and Research Professor titles. The goals of the recommendations are to enhance the hiring and retention of quality faculty, recognize the changing nature of certain curricula, and maximize use of external funds.

Currently, the Regents' Rules restrict the use of Clinical Professor titles to faculty involved in health professional clinical programs. The clinical mode of instruction has expanded well beyond the health professions, however, and now includes such other areas as law, architecture, business, education, liberal arts, natural sciences, and social work. The recommended changes will recognize this expansion and will allow and encourage component institutions to adapt their faculty recruitment and retention processes accordingly.

In addition, the Regents' Rules presently restrict the use of Research Professor titles to faculty holding full-time appointments. Approval of the recommendations will extend this title to faculty holding part-time appointments. Part-time Research titles allow component institutions additional flexibility in making dual or collaborative appointments or in retaining faculty who retire or resign from full-time or tenured positions. Moreover, Research titles are funded heavily from external sources. At times, such funds will only support part-time positions. Allowing part-time Research appointments will aid in maximizing the appropriate use of these funds.

3. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter I, Section 4 (Assessment, Collection, and Waiver of Tuition and Fees) and Approval to Repeal Regental Policy on Installment Payment Plan for Tuition and Fees

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 Subsection 4.4 be added to the Regents' Rules and Regulations, Part Two, Chapter I, Section 4, regarding assessment, collection, and waiver of tuition and fees, as set forth in congressional style on Page 9.

Sec. 4. Assessment, Collection, and Waiver of Tuition and Fees.--Tuition, fees, and other charges will be fixed as prescribed or as authorized by statute and will be published in the institutional catalog with a description of the criteria for any authorized exemptions and waivers.

...

4.4 The Board delegates to the presidents of the component institutions the authority to collect the payment of tuition, fees, and other charges in accordance with those methods prescribed or authorized by statute.

It is further recommended that the Board repeal the outdated 1990 Regental Policy entitled Installment Payment Plan for Tuition and Fees.

BACKGROUND INFORMATION

Texas Education Code Section 54.007 requires the governing board of an institution of higher education to provide for the collection of tuition and fees through either full payment in advance of the beginning of a fall or spring semester or through installment payments spaced throughout a fall or spring semester or a 12-week or 16-week summer term. Different installment payment periods are allowed based upon whether the particular academic period is a fall or spring semester or a 12-week or 16-week summer term. The statute does not address collection of tuition and fees for other academic periods or for courses commonly offered by component institutions in formats such as weekend or daily seminars or 6-week summer terms or as continuing education courses.

This recommendation takes into account these statutory requirements and gaps and delegates to the presidents of the component institutions the authority to collect tuition, fees, and other charges in accordance with State law. This proposed delegation will allow presidents to consider the best interests of the institution and its students in determining the best method to collect tuition and fees in accordance with statute. This recommendation will also allow the U. T. System and its component institutions to adapt quickly and efficiently to statutory amendments affecting the methods of collecting tuition and fees.

If adopted, this recommendation will repeal the Regental Policy on Installment Payment Plan for Tuition and Fees that was approved by the Board of Regents on August 9, 1990. That policy authorized four health components of the U. T. System to collect installment payments for tuition and fees pursuant to Texas Education Code Section 54.007 as it then read.

4. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter X (Auxiliary Enterprises)

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 the Regents' Rules and Regulations, Part Two, Chapter X, regarding auxiliary enterprises and student services, be amended to add a new Section 12 as set forth below in congressional style:

Sec. 12. Student Debit Cards.--The Board delegates to each component president the authority to establish a program to provide students enrolled at the institution with a debit card. The debit card program must comply with applicable State and federal law. Before implementing a debit card program at the institution, the component president must obtain the prior approval of the Executive Vice Chancellor for Business Affairs. In addition, the component president shall comply with applicable guidelines issued by the Office of General Counsel.

BACKGROUND INFORMATION

Texas Education Code Section 51.940 authorizes the governing board of an institution of higher education to establish a debit card program for students. The proposed amendment to Part Two, Chapter X of the Regents' Rules and Regulations delegates authority for the establishment of a debit card program for students to the president of a component institution. The Board of Regents has the authority under Section 65.31(g) of the Texas Education Code to delegate any power or duty.

The president must obtain the approval of the Executive Vice Chancellor for Business Affairs before implementing the debit card program. It is anticipated that the Executive Vice Chancellor for Business Affairs will consult with the Executive Vice Chancellor for Health Affairs or the Executive Vice Chancellor for Academic Affairs, as applicable. The amendment also requires that the president comply with the applicable guidelines for contract review issued by the Office of General

Counsel. At present, the Office of General Counsel requires that all contracts relating to debit card programs be reviewed and approved as to legal matters by the Office of General Counsel. This category of contracts includes contracts with merchants accepting a component institution's debit card as payment and any contracts with financial institutions or other firms providing services to the component institution in connection with establishing or operating the debit card program.

5. U. T. System: Report of Summary of Gift Acceptance Conforming to Board Policy for September 1, 2001 Through November 30, 2001

REPORT

The Summary of Gift Acceptance for The University of Texas System for the period September 1, 2001 through November 30, 2001, is set forth below. The report includes 45 items conforming to Board policy including the acceptance of \$5,793,951 in gifts and other transfers of endowment funds totaling \$1,000,000. The report includes only those funds that relate to endowments, estates, and other funds managed by the U. T. System Office of Development and External Relations.

<u># ALL</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>
1	U. T. System Administration	\$ 20,000
2	U. T. Arlington	20,000
22	U. T. Austin	3,257,413
1	U. T. Brownsville	55,168
---	U. T. Dallas	---
---	U. T. El Paso	---
2	U. T. Pan American	---
---	U. T. Permian Basin	---
1	U. T. San Antonio	134,344
2	U. T. Tyler	39,486
2	U. T. Southwestern Medical Center - Dallas	---
2	U. T. Medical Branch - Galveston	21,000
---	U. T. Health Science Center - Houston	---
7	U. T. Health Science Center - San Antonio	1,121,369 *
3	U. T. M. D. Anderson Cancer Center	1,125,171
---	U. T. Health Center - Tyler	---
<u>45</u>	<u>TOTAL</u>	<u>\$ 5,793,951</u>

* Not included in total:

U. T. Health Science Center - San Antonio: \$1,000,000 transfers of endowment funds.

6. U. T. System: Annual Presentation on Private Sector Support

REPORT

Vice Chancellor for Development and External Relations Perry will present the annual report on Private Sector Support for the U. T. System for the 2000–2001 academic year.

J. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Miller
Vice-Chairman Clements, Vice-Chairman Hunt, Vice-Chairman Riter
Agenda Book Page 13

Finance and Planning Committee: Chairman Hunt
Regent Estrada, Regent Krier, Regent Oxford, Regent Riter
Agenda Book Page 14

Academic Affairs Committee: Chairman Krier
Regent Estrada, Regent Hunt, Regent Oxford
Agenda Book Page 42

Health Affairs Committee: Chairman Oxford
Regent Clements, Regent Craven, Regent Sanchez
Agenda Book Page 50

Facilities Planning and Construction Committee: Chairman Clements
Regent Craven, Regent Riter, Regent Sanchez
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There are no items to be considered by the Executive Committee for this meeting.

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 108

RECOMMENDATION

It is recommended that Chancellor's Docket No. 108 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 Two, Chapter IV (Purchasing)

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 the Regents' Rules and Regulations, Part Two, Chapter IV, regarding purchasing, be amended as set forth below in congressional style:

Sec. 1. Purchasing Ethics.

...

- 1.4 Procurement officers [~~Purchasing agents~~], 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.

...

Sec. 2. Contacts with State Agencies and Vendors.--All contacts, whether oral or written, with State agencies and with vendors regarding procurement activities are handled through the Office of General Counsel or the primary procurement officers [~~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 primary procurement officer [~~purchasing agent~~] or the chief business officer for other persons to do so.

Sec. 3. Purchasing Procedures.

3.1 The primary procurement officer [~~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 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.

...

Sec. 5. Purchaser Training and Certification.

5.1 Requirements of Purchaser Training and Certification Plan.--Each component institution and System Administration shall establish a purchaser training and certification plan that:

5.11 Requires all personnel who procure goods or services on behalf of the component institution or System Administration to obtain appropriate training.

5.12 Requires all personnel who procure goods and services through competitive methods to attain nationally recognized and/or State of Texas buyer certification, and

5.13 Conforms to the guidelines established by the Executive Vice Chancellor for Business Affairs.

5.2 Drafting and Implementation of Training and Certification Plan.--The primary procurement officer of each component institution and of System Administration shall draft a proposed training and certification plan for his or her respective institution and shall implement the plan after review and written approval of the plan by the respective chief business officer.

BACKGROUND INFORMATION

The amendments to Part Two, Chapter IV, Section 1, Subsection 1.4; Section 2; and Section 3, Subsection 3.1 of the Regents' Rules and Regulations are nonsubstantive and change the terminology of "official purchasing agent" to "primary procurement officer" to reflect current practice.

Proposed new Section 5 of Part Two, Chapter IV of the Regents' Rules and Regulations requires training for all U. T. System personnel who procure goods and services and requires certification for those U. T. System personnel who procure goods and services using competitive methods. The University of Texas System Purchasing Council, whose members are the primary procurement officers of each of the component institutions and System Administration, proposed the training and certification requirements.

Each component institution and System Administration will develop its own training and certification plan, in accordance with guidelines to be issued by the Executive Vice Chancellor for Business Affairs. The guidelines will require graduated training and certification levels based on the purchasing activities of the individual. The primary procurement officer of each component institution and System Administration will have the responsibility to develop an appropriate training and certification plan, which must then be approved by the respective chief business officer.

3. U. T. Board of Regents: Proposed Adoption of a Resolution Authorizing the Issuance, Sale, and Delivery of Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 2002A, in an Aggregate Principal Amount Not to Exceed \$115,000,000 and Authorization for Officers of U. T. System to Complete All Transactions Related Thereto

RECOMMENDATION

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

- a. Adopt a 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 Permanent University Fund Refunding Bonds, Series 2002A, in an aggregate principal amount not to exceed \$115,000,000 to be used to refund a portion of the outstanding Permanent University Fund Refunding Bonds, Series 1992A, and to pay the costs of issuance

- b. Authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

The U. T. System has outstanding \$108,515,000 of callable Permanent University Fund Refunding Bonds, Series 1992A, maturing July 1, 2003 through July 1, 2010. The interest rates on the Series 1992A Bonds are significantly above current market interest rates and range from 6.00% to 6.25%. The Series 1992A Bonds were structured with an optional redemption and can be called on July 1, 2002, at par.

Adoption of the Resolution would authorize the issuance of Permanent University Fund Refunding Bonds, Series 2002A, in an aggregate principal amount not to exceed \$115,000,000 for the purpose of refunding a portion of outstanding Permanent University Fund Refunding Bonds. The Resolution was drafted by outside bond counsel and has been reviewed by the U. T. System Office of General Counsel. It is not bound into the Agenda Book, but was sent separately with an Executive Summary of significant terms.

Proceeds from the Series 2002A Bonds will be used to purchase U. S. government securities to be placed in an escrow account. On July 1, 2002, proceeds from the escrowed securities will be used to redeem all of the callable outstanding Series 1992A Bonds.

Based on tax-exempt interest rates as of January 10, 2002, this current refunding will produce approximately \$9,000,000 of present value debt service savings.

4. U. T. Board of Regents: Proposed Adoption of a Resolution Authorizing the Issuance, Sale, and Delivery of Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 2002B, in an Aggregate Principal Amount Not to Exceed \$205,000,000 and Authorization for Officers of U. T. System to Complete All Transactions Related Thereto

RECOMMENDATION

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

- a. Adopt a 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 Permanent University Fund Bonds, Series 2002B, in an aggregate principal amount not to exceed \$205,000,000 to be used to refund \$191,000,000 of outstanding Permanent University Fund Flexible Rate Notes, Series A, and to pay the cost of issuance
- b. Authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, and delivery of such bonds.

BACKGROUND INFORMATION

The U. T. System has outstanding \$191,000,000 of Notes issued pursuant to the \$250,000,000 Permanent University Fund Flexible Rate Notes, Series A program. Generally, the Flexible Rate Notes, Series A program is used to provide interim financing for projects during the construction phase and the debt is not amortized. Once construction is complete, the Notes are refunded with long-term, fixed-rate bonds.

Adoption of the Resolution would authorize the issuance of Permanent University Fund Bonds, Series 2002B, in an aggregate principal amount not to exceed \$205,000,000 for the purpose of refunding \$191,000,000 of outstanding Permanent University Fund Flexible Rate Notes. The Resolution was drafted by outside bond counsel and has been reviewed by the U. T. System Office of General Counsel. It is not bound into the Agenda Book, but was sent separately with an Executive Summary of significant terms.

Proceeds from the Series 2002B Bonds will be used to purchase "Defeasance Obligations" (as defined in the Resolution authorizing the Permanent University Fund Flexible Rate Notes, Series A program) to be placed in an escrow account. Proceeds from the escrowed securities will be used to redeem the outstanding Notes. The remaining proceeds will be used to pay costs of issuance and provide for any original issue discount.

5. U. T. System: Report on Investments for the Fiscal Quarter Ended November 30, 2001

REPORT

Pages 21 - 27 contain the Summary Reports on Investments for the fiscal quarter ended November 30, 2001.

Item I on Pages 21 - 22 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was negative 2.03%. The PUF's net investment return for marketable securities for the quarter was negative .57% versus its composite benchmark return of negative .18%.

Item II on Pages 23 - 25 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the quarter was negative 1.50%. The GEF's net investment return for marketable securities for the quarter was negative .48% versus its composite benchmark return of negative .18%.

Item III on Page 26 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.60% for the quarter versus the SITF's performance benchmark of 2.23%.

Item IV on Page 27 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 \$117 million to \$990 million during the first quarter. Asset values for the remaining asset classes were fixed income securities: \$113 million versus \$113 million at previous quarter-end; equities: \$165 million versus \$167 million at previous quarter-end; and other investments of \$2 million versus \$17 million at previous quarter-end.

6. U. T. System: Recommendation to Approve Fiscal Year 2003 Budget Preparation Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities; and Calendar for Budget Operations

RECOMMENDATION

With the concurrence of the U. T. System Executive Officers, the Chancellor recommends that the U. T. Board of Regents approve Budget Preparation Policies and Limitations and Calendar for use in preparing the Fiscal Year 2003 Operating Budget for the U. T. System as set out below:

U. T. System FY 2003 Budget Preparation Policies

General Guidelines – The regulations and directives included in the General Appropriations Act enacted by the 77th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2003 Operating Budget, the president of each component institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines – Recommendations regarding salary policy are subject to the following directives:

1. Salaries Proportional by Fund – Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in Texas Education Code Section 51.009 (a) and (c), shall be proportional to the source of funds.

2. Merit Increases – Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff keeping in mind the 2002-2003 biennium goal of at least an average 7% merit increase for faculty and staff. This would include the mandatory \$100 per month for nonfaculty employees required by the Legislature in the first year of the biennium.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, classified staff must have been employed by the institution for at least six months as of August 31, 2002.

3. Mandated Increases – Implementation of the 4% increase in annual salary with a minimum of \$100 per month increase provided for nonfaculty by the General Appropriations Act beginning in 2001 should continue. Contingent on the State Comptroller certifying that sufficient revenue is available for 2003, a 3% increase in annual salary with a minimum of \$65 per month increase has been mandated by the General Appropriations Act for 2003.
4. Other Increases – Equity adjustments, competitive offers, and increases to accomplish contractual commitments may also be granted in this budget and should also consider merit where appropriate, subject to available resources. Such increases should be noted and explained in the supplemental data accompanying the budget.
5. New Positions – New administrative and professional, classified staff and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.
6. It is the expectation that 2003 salary increases for merit, equity, or other reasons be included in the Operating Budgets.

Tobacco Settlement Funds – The distribution from the Endowment Funds appropriated to Higher Education and to the Permanent Health Fund for Health Related Institutions should be estimated at 4.7% as shown in the following tables:

Individual Endowments	
Component	Annual
U. T. El Paso	\$1,175,000
U. T. SWMC Dallas	2,350,000
U. T. MB Galveston	1,175,000
U. T. HSC Houston	1,175,000
U. T. HSC San Antonio	9,400,000
U. T. MDA Cancer Center	4,700,000
U. T. HC Tyler	1,175,000
U. T. RAHC*	940,000

*Lower Rio Grande Valley Regional Academic Health Center (RAHC)

Permanent Health Fund	
Component	Annual
U. T. SWMC Dallas	\$2,210,594
U. T. MB Galveston	1,875,745
U. T. HSC Houston	1,807,273
U. T. HSC San Antonio	1,651,546
U. T. MDA Cancer Center	1,751,117
U. T. HC Tyler	1,219,323

Capital Equity – Several of the U. T. System academic component institutions have included within an item of appropriation entitled Capital Equity and Excellence an amount of funds for Capital Equity Hold-Harmless, which is to be phased out entirely by the 2004-2005 biennium. The Legislature has stated this intent in Section 50 of Article III Special Provisions of the General Appropriations Act. The amounts which will not be reappropriated in the 2004-2005 biennium are:

Component	FY 2004	FY 2005
U. T. Arlington	\$2,928,730	\$2,928,730
U. T. Dallas	2,071,162	2,071,162
U. T. El Paso	2,092,588	2,092,588
U. T. Permian Basin	265,271	265,271
U. T. San Antonio	3,250,625	3,250,625
U. T. Tyler	539,254	539,254

Those institutions affected should plan their operations for FY 2003 in anticipation of the probability that this hold-harmless funding will be withdrawn in the following biennium.

Staff Benefits Guidelines – Recommendations regarding the State contribution for employees staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act. The Chancellor will issue supplemental instructions regarding the group insurance premiums and premium sharing rates at a later date.

Other Employee Benefits – Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience rated for each component. The Chancellor will issue appropriate instructions regarding the implementation of the Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines – Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

Budget Reductions – The General Appropriations Act (Article IX, Section 10.20) contains a provision requiring budget reductions to implement e-Texas Issue AFM-3 as follows:

Component	Reductions
U. T. System Administration	\$ 68,610
U. T. Arlington	114,842
U. T. Austin	580,268
U. T. Brownsville	15,142
U. T. Dallas	104,530
U. T. El Paso	89,543
U. T. Pan American	69,677
U. T. Permian Basin	10,518
U. T. San Antonio	91,252
U. T. Tyler	11,467
U. T. SWMC Dallas	190,796
U. T. MB Galveston	862,217
U. T. HSC Houston	144,753
U. T. HSC San Antonio	151,034
U. T. MDA Cancer Center	707,333
U. T. HC Tyler	84,448

FY 2003 Operating Budget and
Legislative Appropriations Request Calendar

February 14, 2002	U. T. Board of Regents approves budget policies for FY 2003 Operating Budgets
April 3-16, 2002	Budget major goals/policy hearings with System Administration
May 1, 2002	Receive detailed instructions for Legislative Appropriations Request for the biennium beginning September 1, 2003
May 3, 2002	Draft copies of budgets, salary rosters, and supplemental data due to System Administration
May 6-17, 2002	Technical budget hearings with System Administration
May 31, 2002	Final copies of budgets, salary rosters, and supplemental data due to System Administration
July 12, 2002	Draft of Legislative Appropriations Request due to System Budget Office for technical review
July 23, 2002	Final copy of Legislative Appropriations Request due to System Budget Office for printing
July 23, 2002	Operating Budget Summaries mailed to U. T. Board of Regents
July 31, 2002 (estimated)	Legislative Appropriations Request due to Legislative Budget Board and Governor's Budget Office
August 7-8, 2002	U. T. Board of Regents approves Operating Budget

August 16, 2002

Approved budgets and salary rosters due to System Administration for copying and binding

August-September 2002

Joint Legislative Appropriations Request Budget Hearings

BACKGROUND INFORMATION

The U. T. System FY 2003 Budget Preparation Policies track the regulations and directives included in the General Appropriations Act enacted by the 77th Texas Legislature.

7. U. T. System: Request to Approve an Amendment to the Aggregate Amount of Equipment Financing for Fiscal Year 2002 and to 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 amendment to the aggregate amount of equipment to be purchased in Fiscal Year 2002 under the Revenue Financing System Equipment Financing Program from \$21,715,000 to \$31,715,000, an increase of \$10,000,000 to be allocated to U. T. Medical Branch – Galveston.

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, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 36, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the cost of equipment including 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 Board relating to the Financing System
- c. U. T. Medical Branch – Galveston, 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 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 August 9, 2001 meeting, the U. T. Board of Regents approved the use of debt under the Revenue Financing System Equipment Financing Program in the aggregate amount of \$21,715,000 for equipment purchases in Fiscal Year 2002 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.

Approval of this item would increase the aggregate amount approved for equipment financing by \$10,000,000 to \$31,715,000. The increase would be for U. T. Medical Branch - Galveston to finance medical equipment. With the issuance of all approved equipment financing debt, the debt service coverage for the U. T. System

is projected to range from 2.2 times to 2.7 times from FY 2002 to FY 2006. Further details on the equipment, the source of funds for financing, and the debt coverage ratio for U. T. Medical Branch - Galveston may be found in the table on Page 37.

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 cost at U. T. Medical Branch - Galveston, 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 15th day of January, 2002

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

8. U. T. System: Recommendation to Amend the Regental Policy Regarding Jurisdiction of Commissioned Peace Officers

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. System Regental Policy regarding jurisdiction of commissioned peace officers be amended as set forth below in congressional style:

POLICY ON JURISDICTION OF POLICE OFFICERS [STATEMENT]

- (a) Commissioned peace officers employed by The University of Texas System or any of its component[~~s~~] institutions shall confine their activities related to the performance of the duties of peace officers to property owned, leased, or otherwise under the control of the U. T. System or one of the component institutions of the U. T. System (restricted primary jurisdiction), with the following exceptions:
- (1) The Chief of Police of each component institution within the U. T. System and the Director of Police for the U. T. System may, on a case by case basis, authorize commissioned peace officers employed by or temporarily assigned to a component institution to function outside of the "restricted primary jurisdiction"^[*] established by this Policy as peace officers on University business or in conjunction with a University sponsored event so long as the peace officers remain within their area of primary jurisdiction (county) as established by [~~Section 51.203,~~] Texas Education Code Section 51.203. For the purposes of this Policy, the term "restricted primary jurisdiction" is interpreted to mean all land, streets, buildings, and facilities or other property owned, leased, or otherwise under the control of the U. T. System or one of the component institutions. It is provided, however, that the provisions of the Hot Pursuit Policy (U. T. System Police Policy and Procedure Manual No. II-86-14, as amended) promulgated by the Director of Police for the U. T. System are not affected by this Policy.

- (2) The Director of Police for the U. T. System may authorize commissioned peace officers of the U. T. System to function as peace officers outside their primary jurisdiction (county) to assist another law enforcement agency in Texas, or to otherwise perform duties as a peace officer on official University business.
- (3) Each component institution's Chief of Police, if summoned by another law enforcement agency, is authorized to send commissioned peace officers to assist that agency as long as the officers remain within their primary jurisdiction (county).
- (b) The president of each component institution within the U. T. System shall be responsible for providing to the Director of Police for the U. T. System, for review and approval as to police jurisdiction, a map(s) showing all property owned, leased, or otherwise controlled by a component institution or U. T. System which is under the police control of a component institution. The Director of Police must approve, in writing, any extension of police jurisdiction that would obligate the University police to patrol property not owned or controlled by the University, including any city streets that border or cross the campus or any privately-owned buildings or structures located on the campus as reflected on the map submitted by the component institution. It is the continuing responsibility of the president or other administrative official to whom this responsibility is delegated to ensure that the maps on file with the Office of the Director of Police are kept current. The maps shall also denote thereon all land areas, streets, buildings, and facilities located contiguous to property owned, leased, or otherwise controlled by the component institution that are not owned, leased, or controlled by the component institution or the U. T. System. The Executive Vice Chancellor for Business Affairs or his or her delegate shall be responsible for fulfilling the requirements of this section for property owned, leased, or otherwise controlled by the U. T. System Administration.
- (c) The Director of Police for the U. T. System shall furnish copies of this Policy and the approved maps to the Chief of Police of ~~[for]~~ each component institution ~~[copies of this Policy and the approved maps]. [The component institution]~~ Each Chief[s] of Police shall distribute copies of this Policy and a map(s) delineating the component police department's restricted primary jurisdiction to the commissioned peace officers of that component ~~[under their control]~~.

- (d) Commissioned peace officers of the U. T. System or the component institutions shall, if time and circumstances permit, notify and request assistance from the police agency having primary jurisdiction when arrests are anticipated or warrants are to be served outside of the University police officers' restricted primary jurisdiction, as defined by this Policy.

[
*For the purposes of this Policy, the term "restricted primary jurisdiction" is interpreted to mean all land, streets, buildings, and facilities or other property owned, leased, or otherwise under the control of the U. T. System or one of the component institutions.]

BACKGROUND INFORMATION

The recommended revisions will amend the U. T. System Regental Policy covering jurisdiction of commissioned peace officers adopted by the U. T. Board of Regents in August 1987, amended by the Board in June 1994, and editorially amended in September 2000 to renumber items and to change the "chief administrative officer" title to "president."

The addition of item (a)(3) authorizes the Chief of Police at each U. T. System component institution to send commissioned peace officers to assist another law enforcement agency as long as the officers remain within their primary jurisdiction.

The proposed amendment under item (b) will clarify that the U. T. System Director of Police must approve, in writing, any extension of police jurisdiction reflected on the map submitted by the component institution showing the property which is under the police control of that campus if the extension would obligate the University police to patrol property not owned or controlled by the University.

The addition of item (d) will conform the Policy to current practice that U. T. System commissioned officers will, if time and circumstances permit, notify and request assistance from the police agency having primary jurisdiction when arrests are anticipated or warrants are to be served outside the restricted primary jurisdiction of the University police.

The proposed amendments have been reviewed by the U. T. System Office of General Counsel.

INFORMATIONAL REPORTS

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

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will discuss the December 2001 Monthly Financial Report for the U. T. System, which was bound separately and sent to the Board with the Agenda Book.

2. U. T. System: Annual Presentation of Key Statistical Report

REPORT

Mr. Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs, will report to the U. T. Board of Regents on the information contained in the updated U. T. System "Key Statistical Report" (formerly known as the "Reporting Package for the Board of Regents"). Information provided in the reference report includes financial, investment, and research data for the U. T. System institutions covering a five-year period ending August 31, 2001. The report also includes faculty, employee, and student demographics extending from the Fall 1997 Semester through the Fall 2001 Semester.

The Report will be mailed to members of the Board following the Board meeting. It will also be available on the World Wide Web at www.utsystem.edu/mis.

1. U. T. Austin: Request for Approval of Infrastructure Fee to be Charged to Students to Provide Funding for Repair and Renovation and Essential Capital Budgets

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 creation of an infrastructure fee to be charged to students beginning with the 2002–2003 academic year as authorized under Texas Education Code Section 55.16.

It is recommended that a flat fee be charged to all students for the fall and spring semesters only and that, during the 2002–2003 academic year, the fee be \$230 per semester for a student taking seven or more semester credit hours and \$115 per semester for a student taking at least one and no more than six semester credit hours. It is further recommended that authorization be granted for the fee to be increased annually by \$50 per semester through the 2006–2007 academic year.

BACKGROUND INFORMATION

U. T. Austin has conducted a detailed analysis of its past and current funding and funding projections for the next five years. This analysis focuses upon the U. T. Austin Core Budget, consisting of: the essential operating budget (funds the basic academic and administrative operating activities); the essential repair and renovation budget (funds repair and renovation activities, including those deferred to subsequent years); and the essential capital budget (funds capital improvement activities including construction and major renovations). The conclusion has been reached that the level of State financial support and fees raised from existing sources will no longer support either the maintenance of or the enhancement of U. T. Austin and its mission.

Over the last decade, U. T. Austin has largely funded the delivery of its mission by deferring plant maintenance, repair, and renovation; increasing student fees; granting below market salary increases; expanding research grants and contracts;

and increasing reliance on gifts and endowments. U. T. Austin must raise \$150.7 million in new annual recurring funding over the next five years to offset projected budget deficiencies. If U. T. Austin does not obtain substantial additional funding, significant structural changes would have to take place campus-wide, including operating under a continuing deficit, being nationally noncompetitive on salaries, reducing services and programs, allowing buildings to deteriorate, canceling or deferring essential building and safety projects, and contracting programs.

U. T. Austin will be pursuing a number of steps to increase revenues and to achieve greater efficiencies in operations. The proposed infrastructure fee is an important part of the funding plan. It will bring repair and renovation within a reasonable range over five years and will provide funding for half of the essential capital shortfall. Other funding actions will be necessary to address the programmatic issues and essential capital needs that are not resolved by the infrastructure fee (e.g., core budget deficit, salary adjustments, faculty start-up and expansion, and new program initiatives).

A substantial portion of U. T. Austin's buildings and other facilities, constructed during the 1950s through the 1980s, now require significant repair and renovation. Income from the fee will be approximately \$21.4 million during 2002–2003 growing to approximately \$40 million during 2006–2007. The fee income will be dedicated for the repair, renovation, and essential capital improvement of U. T. Austin's educational and general facilities. U. T. Austin will provide financial aid to cover the fee for teaching assistants, assistant instructors, and graduate fellows who receive paid tuition benefits and will fund additional scholarships in an amount equivalent to 15% of the annual fee income to cover additional costs for students in need. Approximately one-half of the infrastructure fee income will be dedicated to paying for essential repairs and renovations. The remainder of the infrastructure fee income will be bonded and used to pay debt service on essential capital projects funded by such bonding, many related to fire and life safety upgrades and water control and environmental health issues.

The proposed infrastructure fee at U. T. Austin is being processed as an Agenda item rather than a Docket item to allow needed time for additional campus-wide meetings and consultations. Dr. Faulkner has had several campus-wide meetings with students, faculty, and staff to discuss the fee proposal. Possible modifications to the proposal may be made to the proposal following these campus meetings.

2. U. T. Austin - Indoor Practice Facility: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project; 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. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Indoor Practice Facility at U. T. Austin
- b. Approve design development plans
- c. Approve evaluation of alternative energy economic feasibility
- d. Approve a total project cost of \$4,000,000
- e. Appropriate funds and authorize expenditure of \$4,000,000 from Gifts and Grants.

BACKGROUND INFORMATION

The Indoor Practice Facility at U. T. Austin, to be located on a portion of the Frank Denius Fields at the southeast corner of the intersection of Red River and Dean Keeton Streets, involves the construction of a conditioned, all-weather enclosure for use by Intercollegiate Athletic teams such as the football and baseball teams. This facility will also provide a practice area for the marching band.

The project will be designed with consideration of the Capitol view corridors. The Texas Department of Transportation has indicated that there is a possibility within the next few years that IH-35 will be expanded and widened. This expansion will have an adverse effect on the Frank Denius Fields; these fields will have to be relocated.

As is the case on all athletic projects, no State funds will be used on this project.

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. Therefore, the Project Architect prepared an 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.

This off-cycle Capital Improvement Project (CIP) has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

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. Permian Basin: Request for Authorization to Amend Lease with The Presidential Museum in Odessa, Ector County, Texas, to Add Approximately 2,500 Square Feet of Land for a Permanent Site for the Former Home of Presidents George Herbert Walker Bush and George Walker Bush, 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 Academic Affairs, and President Watts that the U. T. Board of Regents grant authorization for the U. T. System Real Estate Office and the Office of General Counsel to take all steps necessary to amend the lease dated February 13, 2001, with The Presidential Museum, a Texas

nonprofit corporation, Odessa, Texas, to add approximately 2,500 square feet of land to the leased premises for a permanent site for the former home of Presidents George Herbert Walker Bush and George Walker Bush. All other provisions of the lease will remain unchanged.

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 such further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The 76th Texas Legislature appropriated \$2,500,000 in the General Appropriations Act for the purpose of constructing a building to house The Presidential Museum on a leased portion of the U. T. Permian Basin campus. Following the appropriation, it was determined that Permanent University Fund Bond Proceeds would be used to fund the construction project. The U. T. Board of Regents approved the change in funding, the lease, and the construction project at its regular meeting on August 10, 2000. The lease was executed on February 13, 2001, and the construction project is scheduled for completion in May 2002.

The Presidential Museum has purchased the residence, located at 916 East 17th Street in Odessa, that once was the home of the 41st president of the United States, George Herbert Walker Bush, and the current (43rd) president, George Walker Bush. The Presidential Museum would like to relocate the structure to the subject site early this spring to become a permanent exhibit. Approximately 2,500 additional square feet of land is required to accommodate the house on the site.

The lease currently covers 71,960 square feet (1.65 acres) of land. The proposed revised lease would cover approximately 74,460 square feet (1.71 acres) of land. The exact area of the leased property will be determined by a survey to be provided by The Presidential Museum after the final space requirements are determined. Based on an appraisal dated May 29, 2000, and prepared in anticipation of the original lease, the additional land is worth approximately \$3.10 per square foot, or \$7,750.

4. U. T. San Antonio - Student Housing Expansion - Phase I: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Romo that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Student Housing Expansion – Phase I project at U. T. San Antonio at a preliminary project cost of \$12,000,000 with funding from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

The Student Housing Expansion – Phase I project at U. T. San Antonio involves the construction of an apartment complex consisting of 515,625 gross square feet, capable of housing 500 students.

Each apartment would contain four private bedrooms with single person occupancy in a shared living space. Internet connectivity will be provided in each bedroom and in the shared space. In addition, the facility will provide resident advisor administrative spaces, lounges, meeting rooms, and study rooms.

There is a strong demand for additional University-owned and operated apartment units on campus. At the beginning of the Fall Semester 2000, there was a 99% rate of occupancy for existing housing. This is the first of four phases to be proposed for construction of campus housing at U. T. San Antonio.

This off-cycle Capital Improvement Project (CIP) has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

5. U. T. Tyler - Student Resident Home: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project

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 amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Student Resident Home at U. T. Tyler at a preliminary project cost of \$1,400,000 with funding from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

The Student Resident Home project at U. T. Tyler involves the construction of a residence of approximately 10,000 gross square feet, capable of housing 34 students.

The facility is the first residence type home to be constructed on campus and will be designed with 16 bedrooms housing two students each and two single bedrooms. In addition, the residence will provide living quarters for an advisor, three lounge/parlor/study areas, a kitchen, and laundry facilities.

Additional student housing is needed for the Fall Semester 2003 due to the removal of legislative caps on student enrollment at U. T. Tyler.

This off-cycle Capital Improvement Project (CIP) has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

INFORMATIONAL REPORT

U. T. System: Report on Institutional Accountability Portfolios for the Academic Components

REPORT

Dr. Mike Kerker, Director of Research and Policy Analysis in the Office of Academic Affairs, will report on the Institutional Accountability Portfolios for the academic components.

ACADEMIC AFFAIRS COMMITTEE
SUBSTITUTE AGENDA ITEM
FEBRUARY 14, 2002

1. U. T. Austin: Request for Approval of Infrastructure Charge to Students to Provide Funding for Repair and Renovation and Essential Capital Budgets

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 creation of an infrastructure charge to students beginning with the 2002–2003 academic year as authorized under Texas Education Code Section 55.16.

It is recommended that a flat rate be charged to all students for the fall and spring semesters and the summer session, and that, during the 2002–2003 academic year, the charge be: (i) \$150 per long session semester for a student taking seven or more semester credit hours and \$75 per long session semester for a student taking at least one and no more than six semester credit hours; and (ii) \$100 per summer for a student taking seven or more semester credit hours and \$50 per summer for a student taking at least one and no more than six semester credit hours. It is further recommended that authorization be granted for the charge to be increased annually as follows through the 2007–2008 academic year: (i) long session charge increase - \$50 in 2003–2004, \$85 in 2004–2005, \$85 in 2005–2006, \$30 in 2006–2007, and \$30 in 2007–2008; and (ii) summer session charge increase - \$30 per year through 2007–2008.

BACKGROUND INFORMATION

U. T. Austin has conducted a detailed analysis of its past and current funding and its funding projections for the next five years. This analysis focuses upon the U. T. Austin Core Budget, consisting of the essential operating budget (funds the basic academic and administrative operating activities); the essential repair and renovation budget (funds repair and renovation activities, including those deferred to subsequent years); and the essential capital budget (funds capital improvement activities including construction and major renovations). The conclusion has been reached that the level of State financial support and fees raised from existing sources will no longer support either the maintenance of or the enhancement of U. T. Austin and its mission.

Over the last decade, U. T. Austin has largely funded the delivery of its mission by deferring plant maintenance, repair, and renovation; increasing student fees; granting below market salary increases; expanding research grants and contracts;

and increasing reliance on gifts and endowments. U. T. Austin must raise \$150.7 million in new annual recurring funding over the next five years to offset projected budget deficiencies. If U. T. Austin does not obtain substantial additional funding, significant structural changes would have to take place campus-wide, including operating under a continuing deficit, being nationally noncompetitive on salaries, reducing services and programs, allowing buildings to deteriorate, and canceling or deferring essential building and safety projects.

U. T. Austin will be pursuing a number of steps to increase revenues and to achieve greater efficiencies in operations. The proposed infrastructure charge is an important part of the funding plan. It will bring repair and renovation within a reasonable range over five years and will provide funding for half of the essential capital shortfall. Other funding actions will be necessary to address the programmatic issues and essential capital needs that are not resolved by the infrastructure charge (e.g., core budget deficit, salary adjustments, faculty start-up and expansion, and new program initiatives).

A substantial portion of U. T. Austin's buildings and other facilities, constructed during the 1950s through the 1980s, now require significant repair and renovation. Income from the charge will be approximately \$15.1 million during 2002–2003, growing to approximately \$43 million during 2007–2008. The charge income will be dedicated for the repair, renovation, and essential capital improvement of U. T. Austin's educational and general facilities. U. T. Austin will provide financial aid to cover the charge for teaching assistants, assistant instructors, and graduate fellows who receive paid tuition benefits and will fund additional scholarships in an amount equivalent to 15% of the annual charge income to cover additional costs for students in need. Approximately one-half of the infrastructure charge income will be dedicated to paying for essential repairs and renovations. The remainder of the infrastructure charge income will be bonded and used to pay debt service on essential capital projects funded by such bonding, many related to fire and life safety upgrades and water control and environmental health issues.

The proposed infrastructure charge at U. T. Austin is being processed as an Agenda item rather than a Docket item since additional time was needed for campus-wide meetings and consultations. President Faulkner has had several campus-wide and smaller group meetings with students, faculty, and staff to discuss the infrastructure charge proposal. Based upon these discussions, the amount of the infrastructure charge recommended in this Agenda item has been changed from that discussed with the Academic Affairs Committee in January. The annual amount of the charge has been decreased on the front end and increased an additional year on the back end to ease the transition but still provide critical funding needed for the repair and renovation and capital budgets.

1. U. T. Health Science Center - Houston - Renovation of the Operations Center Building: Request to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project and to Authorize Institutional Management

RECOMMENDATION

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

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Renovation of the Operations Center Building at U. T. Health Science Center - Houston at a preliminary project cost of \$3,100,000 with funding from Insurance Proceeds
- b. Authorize U. T. Health Science Center - Houston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the project.

BACKGROUND INFORMATION

The Renovation of the Operations Center Building project at U. T. Health Science Center - Houston is in response to damages from Tropical Storm Allison. Due to damage to other facilities, temporary instruction and office facilities were needed at the Operations Center Building, formerly used for manufacturing and offices. The Operations Center Building is being renovated for new use, specifically a Gross Anatomy laboratory for students and offices, and will consist of finish-out construction, additional structural elements to the second floor, and a specialty laboratory. Funding will also cover equipment purchases and design fees.

This repair and rehabilitation project would best be managed by the U. T. Health Science Center - Houston Facilities Management personnel who have the experience and capability to manage all aspects of the work.

This off-cycle Capital Improvement Project (CIP) has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

2. U. T. Health Science Center - Houston - Repair of the Medical School Building, Phase I: Request to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Include Project and to Authorize Institutional Management

RECOMMENDATION

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

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include the Repair of the Medical School Building, Phase I at U. T. Health Science Center - Houston at a preliminary project cost of \$20,000,000 with funding from Insurance Proceeds
- b. Authorize U. T. Health Science Center - Houston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the project.

BACKGROUND INFORMATION

The proposed new project is necessary to address damage the Medical School Building at U. T. Health Science Center - Houston suffered in June 2001 as a result of Tropical Storm Allison. The Phase I repair will include demolition of the basement, installation of new air handling units and related components, and relocation of transformers and primary electrical distribution systems. Funding for Phase II of the project, which will consist of reconstruction of space in the basement and the ground floor, will be presented to the Board at a later date.

This repair and rehabilitation project would best be managed by the U. T. Health Science Center - Houston Facilities Management personnel who have the experience and capability to manage all aspects of the work.

This off-cycle Capital Improvement Project (CIP) has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

3. U. T. M. D. Anderson Cancer Center: Request for Authorization to Purchase 11.486 Acres of Land in Bastrop, Bastrop County, Texas; Authorization to Submit a Request to the Coordinating Board for Approval of the Transaction; Appropriation of Funds and Authorization of Expenditure; and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

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

- a. Purchase 11.486 acres of land in Bastrop, Bastrop County, Texas, from Esther P. Schroeder of Austin, Texas, for \$46,000, the fair market value as determined by an MAI appraisal

- b. Submit a request to the Texas Higher Education Coordinating Board for approval of the transaction, if necessary
- c. Appropriate funds and authorize expenditure of \$46,000, plus sufficient funds to pay related closing costs, from local funds
- 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, advisable, or proper to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The subject property is an 11.486 acre tract of land that lies adjacent to the U. T. M. D. Anderson Cancer Center Science Park, Department of Veterinary Sciences in Bastrop, Texas. The property is privately owned and has no significant improvements. Purchase of the property will enhance the security zone around the facility, create a buffer zone from encroachment by private land development, and provide a site for future expansion of research functions.

Appraisal by Jim Bob Dooley of Bastrop estimates fair market value of the property to be \$46,000 as of May 29, 2001.

1. U. T. Austin - Jack S. Blanton Museum of Art - Phase I (Project No. 102-965): 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 Jack S. Blanton Museum of Art - Phase I at U. T. Austin
- b. Approve evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$58,500,000
- d. Appropriate funds and authorize expenditure of \$58,500,000 from Gifts and Grants.

BACKGROUND INFORMATION

The Jack S. Blanton Museum of Art - Phase I at U. T. Austin is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$58,500,000 with funding from Gifts and Grants.

The Museum building will be located on the north side of Martin Luther King, Jr. Boulevard at Speedway to form a gateway and an important new southern entrance to the campus with significant visual and physical University connection to the State Capitol and to the City of Austin.

The 100,000 gross square feet of the Phase I Museum building establishes the core of the Museum project and includes areas for the permanent galleries; traveling exhibits; study and research; and support space. The primary mission of the Museum is to house a collection of over 12,000 works of art and to make these available to over 100,000 students and visitors annually.

Since its inception, the Museum has accrued the finest Latin American collection in the United States, complementing its important collection of 20th Century American paintings. Following Board approval on April 14, 2000, the Museum acquired the Suida-Manning Collection of European art. The new facility will allow scholars and visitors alike to fully enjoy this outstanding collection.

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. Therefore, the Project Architect prepared an 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.

This project will be self-supported. Therefore, State funds will not be expended on the project. The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

2. U. T. Austin - Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility (Project No. 102-053): Request to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget for Approval of Design Development Plans; Approval of Evaluation of Alternative Energy Economic Feasibility; Approval to Increase Total Project Cost; Approval to Revise Source of Funds; Appropriation of Additional 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 Faulkner that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to:

- a. Approve design development plans for the Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility project at U. T. Austin

- b. Approve evaluation of alternative energy economic feasibility
- c. Increase the total project cost from \$42,400,000 to \$52,500,000
- d. Revise the source of funds from \$17,500,000 from Revenue Financing System Bond Proceeds, \$9,000,000 from Unexpended Plant Funds, \$9,900,000 from Gifts and Grants, and \$6,000,000 from Auxiliary Enterprise Balances to \$25,750,000 from Revenue Financing System Bond Proceeds, \$15,000,000 from Unexpended Plant Funds, \$5,750,000 from Gifts and Grants, and \$6,000,000 from Auxiliary Enterprise Balances
- e. Appropriate additional funds and authorize expenditure of \$22,750,000 from Revenue Financing System Bond Proceeds, \$15,000,000 from Unexpended Plant Funds, \$5,750,000 from Gifts and Grants, and \$5,000,000 from Auxiliary Enterprise Balances.

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 59, 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. 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 \$22,750,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility project at U. T. Austin is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$42,400,000 with funding of \$17,500,000 from Revenue Financing System Bond Proceeds, \$9,000,000 from Unexpended Plant Funds, \$9,900,000 from Gifts and Grants, and \$6,000,000 from Auxiliary Enterprise Balances.

This project involves three stages. Stage 1, the modification and reconfiguration of the basketball seating and its associated life safety renovation at the Frank C. Erwin, Jr. Special Events Center, has been completed. This stage was approved at the May 10, 2001 meeting of the U. T. Board of Regents as the Basketball Support Facility and was funded from \$3,000,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Auxiliary Enterprise Balances.

The project was redesignated as the Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility in the FY 2002-2007 Capital Improvement Program. During the design process it was determined that additional work was needed for the renovation portion of the project. The design development approval and increase in project scope and budget adjustment requests are being made at this time to accommodate existing building conditions for Stage 2 and Stage 3. Stage 2 will add suites, concession stands, and rest rooms; improve the fire and life safety requirements; and renovate an area of 361,000 gross square feet. Stage 3, the construction of the new basketball practice facility, will add approximately 40,000 gross square feet. The new facility will be located just south of the existing building and will include practice courts, locker rooms, and a storage facility

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. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

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

The \$22,750,000 in debt is to be repaid from net revenues generated from Erwin Center operations, including courtside seating revenue. Annual debt service during the construction period is projected to be \$135,000 in FY 2002 and \$675,000 in FY 2003 assuming a 4.5% short-term borrowing rate. The interest expense will be paid from net revenues generated from Erwin Center operations while the project is under construction. The annual debt service is projected to be \$1,983,000 based on a 6% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage for the Men's Athletic Department is expected to be at least 1.34 times, and overall debt service coverage for the component institution is expected to be at least 1.6 times. The financing forecast for this project is set forth on Page 60.

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 Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility project 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, the Ninth Supplemental Resolution as amended, and the Tenth Supplemental Resolution.

EXECUTED this 15th day of January, 2002

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

Forecast

3. U. T. Austin - Texas Swim Center Renovation - Phase I (Project No. 102-983) and Texas Swim Center Renovation - Phase II: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Combine Projects; Approval to Increase the Total Project Cost; and Appropriation of Additional 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 amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to:

- a. Approve combining the Texas Swim Center Renovation - Phase I and II at U. T. Austin into one project to be designated as the Lee and Joe Jamail Texas Swimming Center Renovation – Phases I and II
- b. Increase the total project cost from \$3,000,000 to \$5,300,000
- c. Appropriate additional funds and authorize expenditure of \$2,000,000 from Designated Tuition and \$300,000 from Auxiliary Enterprise Balances.

BACKGROUND INFORMATION

The Texas Swim Center Renovation – Phase I at U. T. Austin is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget, approved by the U. T. Board of Regents in August 2001, at a preliminary project cost of \$3,000,000 with funding from Designated Tuition. Design development and appropriation of funds for Phase I were approved by the Chancellor in March 2001. The Texas Swim Center Renovation – Phase II at U. T. Austin, approved by the U. T. Board of Regents in August 2001, is included in the FY 2002-2007 Capital

Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$2,000,000 with funding to be appropriated from Designated Tuition. The additional funding of \$300,000 will be appropriated from Auxiliary Enterprise Balances. Both projects are designated as Repair and Rehabilitation projects. The Texas Swim Center was completed in 1979 and the naming in honor of Lee and Joe Jamail was approved by the U. T. Board of Regents on February 11, 1993.

U. T. Austin requests approval to combine the two projects into a single project to be designated as the Lee and Joe Jamail Texas Swimming Center Renovation – Phases I and II. Phase I work will consist of renovation and refurbishment for the facility to comply with the Americans with Disabilities Act requirements, replacing pool windows, repairing bulkheads, replacing view booth windows, and life safety revisions. Phase II work will include upgrades to locker rooms, fire sprinklers, and pool hydraulics. There is a slight increase in the scope of work which is needed for additional repair and maintenance items that were identified in Phase I.

4. U. T. Dallas - School of Management (Project No. 302-075): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Revise the Source of Funds; 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 Jenifer that the U. T. Board of Regents:

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to revise the source of funds for the School of Management at U. T. Dallas from \$30,000,000 from Permanent University Fund Bond Proceeds and \$8,000,000 from Gifts and Grants to \$30,000,000 from Permanent University Fund Bond Proceeds, \$1,325,000 from Unexpended Plant Funds, \$2,935,000 from Revenue Financing System Bond Proceeds, and \$3,740,000 from Gifts and Grants

- b. Appropriate funds and authorize expenditure of \$38,000,000 with funding of \$30,000,000 from Permanent University Fund Bond Proceeds, \$1,325,000 from Unexpended Plant Funds, \$2,935,000 from Revenue Financing System Bond Proceeds, and \$3,740,000 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 65, 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. 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. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$2,935,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The School of Management project at U. T. Dallas is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$38,000,000 with funding of \$30,000,000 from Permanent University Fund Bond Proceeds and \$8,000,000 from Gifts and Grants.

The U. T. Board of Regents approved the design development plans, total project cost, and alternative energy economic feasibility on November 8, 2001. The funding approval was deferred and it is now proposed the project be funded with \$30,000,000 from Permanent University Fund Bond Proceeds, \$1,325,000 from Unexpended Plant Funds, \$2,935,000 from Revenue Financing System Bond Proceeds, and \$3,740,000 from Gifts and Grants. The \$1,325,000 of Unexpended Plant Funds and the \$2,935,000 from Revenue Financing System Bond Proceeds will be repaid as the additional gifts are received.

Revenue Financing System debt will initially fund \$2,935,000 of the project cost, as construction of the project will proceed at a faster pace than the collection of gifts. The debt is to be retired as the additional gifts are collected. The Revenue Financing System debt will be initially payable from Designated Tuition to ensure the project has sufficient cash flow to meet debt service needs, in the event that gifts are not collected as projected. The following analysis is therefore based on cash flows from the Designated Tuition budget. Annual debt service during the construction period is projected to be \$90,000 in FY 2003 assuming a 4.5% short-term borrowing rate. In FY 2004, the annual debt service is projected to be \$387,962 based on a 6.0% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage based on U. T. Dallas' projected Designated Tuition budget is expected to be at least 11.5 times and overall debt service coverage for the component institution is expected to be at least 1.2 times. The financing forecast for this project is set forth on Page 66.

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 Management at U. T. Dallas, 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 15th day of January, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

Forecast

5. U. T. El Paso - Biosciences Facility (Project No. 201-114): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost

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 amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to increase the total project cost for the Biosciences Facility at U. T. El Paso from \$19,250,000 to \$25,000,000 with additional funding of \$5,750,000 from Revenue Financing System Bond Proceeds.

BACKGROUND INFORMATION

The Biosciences Facility at U. T. El Paso is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$19,250,000 with funding of \$12,750,000 from Tuition Revenue Bond Proceeds and \$6,500,000 from Permanent University Fund Bond Proceeds. U. T. El Paso has requested that the total project cost be increased from \$19,250,000 to \$25,000,000 to fund the total square footage for the different phases in the construction. The requested increase of \$5,750,000 is to be funded from Revenue Financing System Bond Proceeds.

The project will construct a new, fully equipped, state-of-the-art biomedical and health science research facility that will enable U. T. El Paso to continue efforts to build health-related research and education programs.

6. U. T. Medical Branch - Galveston - BSL-4 Laboratory Facility (Project No. 601-989): Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost; Appropriation of Additional 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 Acting Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Stobo that the U. T. Board of Regents amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to:

- a. Increase the total project cost for the BSL-4 Laboratory Facility at U. T. Medical Branch – Galveston from \$7,500,000 to \$15,500,000
- b. Appropriate additional funds and authorize expenditures totaling \$8,000,000 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 70, 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. Medical Branch - Galveston, 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 \$8,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The BSL-4 Laboratory Facility at U. T. Medical Branch – Galveston is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$7,500,000 with funding from Gifts and Grants.

U. T. Medical Branch – Galveston has requested that the total project cost be increased from \$7,500,000 to \$15,500,000 with the additional funding of \$8,000,000 being requested from Revenue Financing System Bond Proceeds. The construction bids came in higher than expected and the facility will now include equipment with the latest refinements in biological containment in the research environment.

The debt is to be repaid from indirect cost recoveries to be generated from federal contracts with the institution's BSL-4 Laboratory Facility. Annual debt service during the construction period is projected to be \$90,000 in FY 2002 assuming a 4.5% short-term borrowing rate. The interest expense will be paid from other local funds while the project is under construction. In FY 2003, the annual debt service is projected to be \$697,476 based on a 6% long-term borrowing rate with a 20-year amortization period. Other local funds will supplement debt service in FY 2003. By FY 2004, projected indirect cost recoveries on the project will cover the debt service. Therefore, the annual debt service coverage on the completed project is expected to be at least 1.0 times, and overall debt service coverage for the component is expected to be at least 2.4 times. The financing forecast for this project is set forth on Page 71.

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 BSL-4 Laboratory Facility at U. T. Medical Branch - Galveston, 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 15th day of January, 2002

/s/ Philip Aldridge

Assistant Vice Chancellor for Finance

Forecast

7. U. T. Health Science Center - Houston - Indoor Air Quality at the Medical School (Project No. 701-946): Request to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase Total Project Cost; and Appropriation of Additional Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to increase the total project cost for the Indoor Air Quality at the Medical School at U. T. Health Science Center – Houston from \$13,640,000 to \$16,200,000
- b. Appropriate additional funds and authorize expenditure totaling \$2,560,000 from Hospital Revenues.

BACKGROUND INFORMATION

The Indoor Air Quality at the Medical School project at U. T. Health Science Center - Houston was approved on August 10, 2000 for inclusion in the Capital Improvement Program at a total project cost of \$12,400,000. Following approval of an increase by the Chancellor, the project, as included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget, had a total project cost of \$12,600,000 with funding from Permanent University Fund Bond Proceeds. In December 2001, the Chancellor approved an increase of \$1,040,000 from Hospital Revenues to increase the total project cost to \$13,640,000.

U. T. Health Science Center – Houston has requested that the total project cost be increased from \$13,640,000 to \$16,200,000 to fund the additional indoor air quality remediation work necessary to finish out the project within the Medical School Building. The requested increase of \$2,560,000 is to be funded from Hospital Revenues.

The project is under construction and consists of installation of a laboratory exhaust manifold; ductwork cleaning; and addition of new heating; venting, and air conditioning components in laboratory areas.

This project does not include work associated with a similar project, Renovations of the Medical School Building, which is in the preliminary stages of design and scope development.

8. U. T. Health Science Center - San Antonio - Sam and Ann Barshop Center for Longevity and Aging Studies (Project No. 402-047): 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 Acting 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 Sam and Ann Barshop Center for Longevity and Aging Studies at U. T. Health Science Center - San Antonio
- b. Approve the evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$22,000,000
- d. Appropriate funds and authorize expenditure of \$16,000,000 from Gifts and Grants and \$6,000,000 from Permanent University Fund Bond Proceeds.

BACKGROUND INFORMATION

The Sam and Ann Barshop Center for Longevity and Aging Studies at U. T. Health Science Center - San Antonio is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$22,000,000 with funding of \$16,000,000 from Gifts and Grants and \$6,000,000 from Permanent University Fund Bond Proceeds.

The Center will be a state-of-the-art research facility designed to support scientists to develop and employ the latest molecular techniques to discover genes that enhance health and longevity. The building will contain approximately 48,000 gross square feet of research laboratories, computational research facilities, research support areas, and administrative and building support facilities.

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. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

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

9. U. T. M. D. Anderson Cancer Center - Bone Marrow Transplantation Laboratory: Request for Approval to Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to Increase the Total Project Cost; and Appropriation of Additional Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Amend the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to increase the total project cost for the Bone Marrow Transplantation Laboratory at U. T. M. D. Anderson Cancer Center from \$4,100,000 to \$6,800,000
- b. Appropriate additional funds and authorize expenditure of \$2,700,000 from Hospital Revenues.

BACKGROUND INFORMATION

The Bone Marrow Transplantation Laboratory at U. T. M. D. Anderson Cancer Center is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$4,100,000 with funding from Hospital Revenues. The project entails renovation of existing space and includes demolishing and rebuilding mechanical, electrical, and plumbing systems to meet strict U. S. Food and Drug Administration (FDA) standards for Good Manufacturing Practices (GMP) laboratories. The FDA has indicated that biological agents and extensively manipulated hematopoietic cellular transplants must be prepared under GMP conditions and have issued regulations governing marrow and blood stem cell transplantation.

The scope and budget for this project has expanded because of recent regulatory changes promulgated by the FDA for GMP laboratories. These regulatory changes have required reprogramming of the laboratory to include additional circulation space and redesign of the entire heating, venting, and air conditioning systems to regulate airflow and pressurization within the laboratory. The revisions are intended to ensure a unidirectional flow of staff, products, and air through the laboratory, decreasing the possibility of cross-contamination of products produced in the laboratory. Further, additional program space has been added to accommodate the increased cell storage requirements of the bone marrow transplantation program.

On May 11, 2000, the project was approved by the U. T. Board of Regents for institutional management.

10. U. T. M. D. Anderson Cancer Center - HMB Parking Replacement Garage (Project No. 703-116): 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 Acting Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. Board of Regents:

- a. Approve design development plans for the HMB Parking Replacement Garage at U. T. M. D. Anderson Cancer Center
- b. Approve the evaluation of alternative energy economic feasibility
- c. Approve a total project cost of \$21,600,000

- d. Appropriate funds and authorize expenditure of \$19,400,000 from Revenue Financing System Bond Proceeds and \$2,200,000 from Hospital Revenues.

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 79, 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. M. D. Anderson Cancer Center, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$19,400,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The HMB Parking Replacement Garage at U. T. M. D. Anderson Cancer Center is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget at a preliminary project cost of \$21,600,000 with funding of \$19,400,000 from Revenue Financing System Bond Proceeds and \$2,200,000 from Hospital Revenues.

The project is the first of two proposed above-grade parking structures. Located south of the Ambulatory Clinical Building, the parking garage will be connected to the Ambulatory Clinical Building by an above-grade pedestrian bridge. This site is located between Houston Lighting and Power transformers and the Texas Energy Cooperative central plant, and is not readily suited to construction of occupied space for patient care. The site does lend itself well for vehicle parking for the adjacent development. Additionally, the second floor of the parking garage provides a potential site for emergency generators to service the future buildings on the Houston Main Building (HMB) site.

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. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The debt is to be repaid from revenues generated by the U. T. M. D. Anderson Cancer Center HMB Parking Replacement Garage. Annual debt service during the construction period is projected to be \$218,250 in FY 2002 and \$873,000 in FY 2003 assuming a 4.5% short-term borrowing rate. The interest expense will be paid from institutional reserves while the project is under construction. In FY 2004, the annual debt service is projected to be \$1,691,380 based on a 6% long-term borrowing rate with a 20-year amortization period. Using existing Texas Medical Center parking rates and operating expenses projected by the component institution, the annual debt service coverage on the completed project is expected to be at least 1.2 times, and overall debt service coverage for the component institution is expected to be at least 3.0 times. The financing forecast for this project is set forth on Page 80.

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 HMB Parking Replacement Garage at U. T. M. D. Anderson Cancer Center, 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 15th day of January, 2002

/s/ Philip Aldridge
Assistant Vice Chancellor for Finance

Forecast

INFORMATIONAL REPORT

U. T. System: Quarterly Report on Historically Underutilized
Business (HUB) Expenditures for Building Construction

REPORT

Committee Chairman Clements will summarize Historically Underutilized Business (HUB) expenditures for building construction.

K. RECONVENE AS COMMITTEE OF THE WHOLE

L. REPORT FROM TASK FORCE

U. T. Board of Regents: Report on Activities of the Task Force on Access, Opportunity, and Success

REPORT

Regent Craven will report on the activities of the Task Force on Access, Opportunity, and Success.

M. OTHER REPORTS

1. U. T. Board of Regents: Presentation on Collaborative Programs Involving U. T. System Components

REPORT

Chancellor Burck will provide an overview of collaborative programs involving U. T. System component institutions.

Dr. John Stobo, President, U. T. Medical Branch -Galveston, will make a presentation on the Gulf Coast Consortia, a combined effort for advancing biological sciences in the 21st Century. The Gulf Coast Consortia represents six institutions in the Houston - Galveston area including U. T. M. D. Anderson Cancer Center, U. T. Health Science Center - Houston, U. T. Medical Branch - Galveston, Rice University, Baylor College of Medicine and the University of Houston.

Dean Steven Leslie, U. T. Austin College of Pharmacy, will report on Cooperative Pharmacy Programs between U. T. Austin and U. T. El Paso and U. T. Pan American. These programs are structured to attract students from underserved regions of the State to pursue the six-year PharmD degree.

2. U. T. Health Center – Tyler: Report on Status of Presidential Search

N. SCHEDULED EVENTS

1. Board of Regents' Meetings -- 2002

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

2. Official Commencements -- 2002

April 26	U. T. Medical Branch - Galveston
May 11	U. T. Arlington
	U. T. Brownsville
	U. T. El Paso
	U. T. Pan American
	U. T. Permian Basin
	U. T. San Antonio
	U. T. Tyler
	U. T. Health Science Center - Houston
May 19	U. T. Austin
	U. T. Dallas
May 25	U. T. Health Science Center - San Antonio
June 1	U. T. Southwestern Medical Center - Dallas

O. ADJOURNMENT